FINANCIAL TIMES

Start the week with...

Hong Kong
Your ten-point guide to its future
Page 6

Media futures
Appealing to women in cyberspace
Page 9

9390

A Japanese MBO
How to overcome Confucian culture
Page 10

World Business Newspaper MONDAY JULY 1 1996

Chilean dealer rejects Sumitomo's 'rogue trader' idea

Sumitomo Corporation's claims that Yasuo Hamanaka, the former chief copper trader whose unauthorised trades cost the company an estimated $1.8bn, was a "rogue trader" have been rejected by a former Chilean copper trader. Juan Pablo Dávila, the former head of futures trading at the Chilean state copper company who allegedly lost $174m on the London Metal Exchange as a "rogue trader", says it is impossible for one individual to have acted on his own. Page 16

Karadzic 'resignation' causes confusion: Bosnian Serb leader Radovan Karadzic appeared to continue defying international pressure for his removal when the Serbs repudiated a letter said to announce his resignation and the handing over of power to his deputy Biljana Plavsic. Page 2

Simitis wins Pasok leadership: Greek prime minister Costas Simitis was elected leader of the governing Panhellenic Socialist Movement, succeeding Andreas Papandreou, who died a week ago. Page 16

Goldman Sachs favoured for CINMan: US-based investment bank Goldman Sachs is heading a list of finalists seeking to buy CIN Management, British Coal's pension fund manager which controls about £17bn ($26bn) of assets. Page 17

G7 moves to stabilise monetary system: The Group of Seven leading industrial countries, adopting proposals aimed at increasing the stability of the international monetary system, said surveillance of national economic policies should be stepped up. Page 4; Lex, Page 16

MCA to steer clear of Internet: Frank Biondi, chairman of MCA, the media and entertainment subsidiary of the Seagrams drinks group, said Internet surfing was comparable with "reading the Yellow Pages" and his company will steer clear of spending in cyberspace. Page 17. Media Futures, Page 9

Call for US compromise on chip trade: Japan has warned Washington that it risks harming relations unless the US is prepared to compromise over a dispute on semiconductor trade. Page 4

London exchange to cut 350 jobs: The London Stock Exchange is to shed 350 jobs as part of a review aiming to cut costs by a third and cope with increasing competition. Page 7; Lex, Page 16

India firm on nuclear test treaty: Indian foreign minister Kumar Gujral confirmed that his country did not intend to sign a global treaty outlawing nuclear tests, saying it would retain the nuclear option as long as the official nuclear powers failed to disarm. Page 4; Editorial Comment, Page 16

China warns on currency convertibility: China will make its currency convertible on the capital account following the phasing in of current account convertibility this year, but full convertibility would take some time, it warned. Page 6

Gates tops Forbes' billionaires list: Microsoft founder Bill Gates (below) topped Forbes magazine's ranking of the world's billionaires for

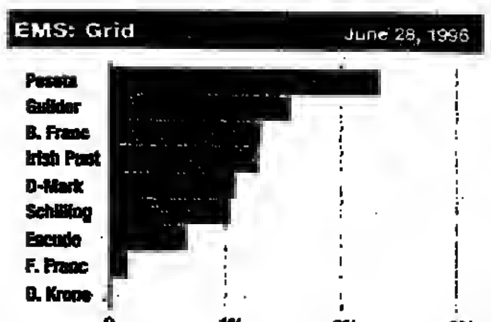
the second year with an estimated net worth of $18bn. The family and heirs of Wal-Mart founder Sam Walton head the list of families, with a net worth of $22.9bn. Royal Dutch Schell Group, the Anglo-Dutch oil company, has replaced General Motors as leader of the World Super 50, the magazine's ranking of the world's most powerful companies.

Suicide bomber kills five in Turkey: At least five soldiers were killed and 25 people wounded in a suicide bomb attack on a military parade in the eastern Turkish town of Tunceli. Security officials said they suspected the attack was the work of Kurdish guerrillas. Premier pledges moderation, Page 2

Hill wins French Grand Prix: Britain's Damon Hill extended his world championship lead with a win in the French Grand Prix at Magny-Cours. His Williams-Renault team-mate Jacques Villeneuve from Canada finished second.

European Monetary System: The spread between the strongest and weakest currencies in the EMS grid was little changed last week as the calm in exchange rate markets continued. The Irish punt climbed above the Belgian franc, and the Danish krone and French franc changed places at the bottom of the grid. Currencies, Page 25

EMS: Grid June 28, 1996



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Albania	LEK 220	Germany	DM4.00	Lithuania	Lts 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.65	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Cyprus	C£1.20	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc60	India	Rs75	Nigeria	Naira90	Spain	Pta250
Denmark	DKr18	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Estonia	EKr 22	Japan	Y500	Pakistan	Rs40	Syria	S£95.00
Finland	FM15.50	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
France	FFr12.00	Kuwait	Fils650	Portugal (m'land)		Turkey	L90,000
		Lebanon	LL3,000		Es240	UAE	Dh12.00

President 'in excellent shape', aides insist ■ Poll rival seizes on absence

Health fears grow as Yeltsin fails to appear at rally

By Chrystia Freeland in Moscow and Matthew Kaminski in Kiev

Russian president Boris Yeltsin failed to appear in public again yesterday, adding to fears over his health just three days ahead of the final round in the country's presidential election.

Mr Yeltsin, who was last seen in public on Wednesday morning, did not make a scheduled appearance at an outdoor rally yesterday. Aides said the president, who suffered two mild heart attacks last year, worked in the Kremlin on Saturday before going to a country dacha.

The president missed several planned campaign events last week. But aides insisted over the weekend he was "in excellent shape", had merely lost his voice, and would reappear before Wednesday's run-off.

His vanishing act has provided valuable ammunition in the final days of the campaign for Mr Gennady Zyuganov, his younger and more vigorous Communist rival in the poll. "If we're just talking about laryngitis then there would be no reason to cancel meetings with officials," Mr Zyuganov said. "In my view, it's a lot more complicated. On the other hand, at 65, after two serious heart attacks, you can't be in good health. Any country doctor will tell you that."

Mr Yeltsin's lack of visibility has already provoked jitters in Russia's capital markets and could undermine his recent campaign trail efforts to present himself as an energetic leader. Now his absence seems to hava thrown Moscow back to the habits of deception and rumour which characterised the Communist era.

Even the independent press is reverting to Soviet traditions. Interfax, a private company which has emerged as Russia's most prominent news agency, yesterday ran a lengthy interview with Mr Yeltsin. But the text Interfax sent to subscribers neglected to mention thet its reporters had not seen the president in person but had merely received a written response to previously submitted questions.

Concerns about Mr Yeltsin's health have also revived worries that, even if he is re-elected, Russia could face a fierce Kremlin succession struggle in the coming months. The main post in that battle is the prime ministership; under current law it is the prime minister who takes over if the president dies or becomes incapacitated. Mr Victor Chernomyrdin, ths current premier, could face an uphill struggle to retain his post.

Mr Alexander Lebed, the former general who finished third in the first round of presidential voting and was swiftly recruited to the Yeltsin team, yesterday hinted at another possible route to the succession, saying that the position of vice-president should be restored.

Mr Lebed, who chairs the security council, has made no secret of his hopes to inherit Mr Yeltsin's mantle and observers predicted he would push to become vice-president if the job were recreated.

An important indication of Mr Yeltsin's condition could come today, when the president is scheduled to sign a political pact with the leaders of Ukraine and Moldova in a high-profile Kremlin ceremony.

But Russian presidential aides were yesterday already preparing public opinion for the cancellation of the event, privately suggesting that the ceremony might not take place. They insisted that if the summit were called off it would be solely because of a last-minnte decision by the Ukrainian and Moldova presidents to postpone their visit to Moscow.

Yesterday afternoon a spokeswoman at the Ukrainian presidential administration said Kiev believed the trip was still on. But an official at the Moldovan prime minister's office said that late yesterday evening his country's delegation was told the Moscow ceremony had been cancelled for unspecified reasons.

No space for impartiality, Page 3

Sign of the times: a council worker in St Petersburg places an advertisement for a foreign beer over an old election poster for Boris Yeltsin ahead of Wednesday's presidential run-off in Russia Picture AP

US banks in fight for French property portfolio

By Simon London in London and Andrew Jack in Paris

Three US investment banks have been shortlisted to acquire an FFr11bn ($2.1bn) property and loans portfolio from Suez, the French financial and industrial holding company.

Goldman Sachs, Lehman Brothers and Morgan Stanley are bidding for the portfolio, which marks the largest attempt yet by a French company to reduce its exposure to the property market.

Union des Assurances de Paris, France's largest insurance group, last month sold a portfolio of property loans with a gross value of FFr3.2bn to a consortium led by Whitehall, the real estate fund managed by Goldman Sachs.

Earlier in the year, Suez itself sold a smaller FFr745m loan portfolio. The latest package has a face value of about FFr20bn but has already been written-down by the group in preparation for the sale. The winning bidder is expected to pay close to the FFr11bn book value of the assets.

In April, Suez reported a FFr4bn loss for 1995, partly because of additional property provisions. In May, it announced the sale of Indosuez, its banking arm, to Credit Agricole.

Mr Gerard Mestrallet, chairman, has said Suez would dispose of all its property activities by 2001. Investment bankers expect other French companies and financial institutions to follow Suez by selling large property and loan portfolios.

International investors led by US investment banks believe the French property market could be poised for a recovery after years of falling rents and values. Générale des Eaux, the utilities and communications group, has asked banks to advise on the possible sale of a substantial part of its FFr25bn property portfolio.

The group owns some of the most attractive investment properties in Paris such as the 77,000 sq m International Business Machines headquarters at La Defence, the office

Continued on Page 16

Move to bypass Emu procedures halted

Brussels warns against drive for flexibility on Maastricht

By Lionel Barber in Brussels

A Belgium-led move to gloss over the fact that only a handful of the 15 European Union member states are likely to qualify for a single currency next year has been halted by Brussels.

Senior European Commission legal officials warned last week that any move to bypass formal procedures on economic and monetary union risked breaching the Maastricht treaty on Emu and violating undertakings given to the European parliament.

At the European summit in Florence in June, Mr Jean-Luc Dehaene, Belgian prime minister, argued forcefully in favour of jettisoning the formal treaty procedures on the grounds that it was obvious no such Emu majority existed.

Other countries supported Mr Dehaene because they wanted to avoid a "full-blooded" interpretation of the treaty, fearing it would highlight the failure to meet the criteria and force clarity in interpretation of the treaty.

The incident offers a foretaste of future political and legal wrangles over interpretation of the treaty on Emu, but also underlines nervousness about the financial markets ahead of the planned launch of the single currency on January 1, 1999.

The Maastricht treaty offers the chance for a fast-track Emu in 1997 if a majority of member states meet the criteria in 1996. Although the European Commission tried to keep alive hopes of an early launch date, it has long been apparent that 1997 is not feasible. Six months ago, EU leaders quietly abandoned the early launch date and set all hopes on 1999, when a majority is no longer needed, but they were still saddled with the requirements of the treaty. The five Maastricht criteria on Emu are: low inflation and interest rates, exchange rate stability, as well as public deficits and government debt no higher than 3 per cent and 60 per cent of gross domestic product respectively.

Under Article 109j of the treaty, EU finance ministers, acting by majority vote on a recommendation from the Commission, are required by the end of December 1996 to assess whether each member state meets the conditions for adoption of the single currency.

In addition, ministers must decide whether a majority of states qualify for the adoption of the currency and make recommendations to heads of government. The European parliament is also supposed to be consulted and offer its opinion to EU leaders.

Mr Kenneth Clarke, the UK chancellor of the exchequer, argued in favour of the kind of flexibility advocated by Belgium, partly to avoid the risk of having to exercise formally Britain's opt-out at the end of the year. He is also determined to resist pressure by his Conservative party's Eurosceptics to rule out joining the single currency for the lifetime of the next parliament.

Mr Clarke has already won a victory among fellow finance ministers by insisting on a loose interpretation of the Maastricht criteria on exchange rate stabil-

Continued on Page 16
Labour reform 'vital', Page 3

Chinese press hails last year of British rule in Hong Kong

By John Ridding in Hong Kong

China yesterday marked the start of the final year before Britain hands back control of Hong Kong with declarations of national unification and the end of colonial humiliation.

The newspaper Liberation Army Daily called on the Communist party and the military to continue the "sacred task", including the return of Macao from Portugal and unification with Taiwan.

"Today the Chinese people have stood up and will finally wash away a century of national disgrace," echoed the People's Daily in an editorial. "The return of Hong Kong to the motherland is a great and shining moment."

Citing the efforts of Mr Deng Xiaoping, China's ailing paramount leader, and President Jiang Zemin, an editorial in the Liberation Army Daily claimed that the handover would signal the end of the "Jin period" of modern history, which started with the Opium Wars of the 1840s and which covered military defeats and colonial occupation.

The mounting propaganda campaign came amid demonstrations in Hong Kong by pro-Beijing supporters and democracy activists. Several hundred demonstrators marched to the headquarters of Xinhua news agency, Beijing's *de facto* embassy in Hong Kong, to protest against China's plans to scrap the territory's elected legislature.

Hong Kong's main journalists' association expressed fears that freedom of expression would be curbed after the handover.

Mr Malcolm Rifkind, Britain's foreign secretary, expressed optimism about the handover, which is to occur on the stroke of midnight on June 30 next year. "I believe that China's own interests point towards a successful and smooth transition for Hong Kong," he said in an interview published in the South China Morning Post.

However, he warned that China's plans to abolish the legislature risked jeopardising a successful handover and urged Beijing to tolerate political opposition in the territory.

"It is in China's interests to take into account ... those political leaders who clearly have the support of the people," he said in a reference to the Democratic party, the biggest group in Hong Kong's Legislative Council. Any breach of the treaties governing the handover, he warned, would be of great concern to the international community.

Chinese officials maintained their tough line on the issue. Speaking at a pro-China rally, Mr Zheng Guo-xiong, deputy director of Xinhua, said democracy activists seeking to present a petition would be barred entry to China.

On other matters, however, China sought to strike a reassuring tone. The People's Daily emphasised Hong Kong's autonomous status after the handover, warning Communist cadres and government officials not to interfere in the territory.

The Financial News in Beijing said Hong Kong's status as an international financial and banking centre would be boosted by the handover.

HK barometers, Page 6
Personal view, Page 16

CONTENTS

 No 33,023 LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

NEWS: EUROPE

Bosnian Serbs repudiate claim by Bildt that president has handed over his powers

Karadzic sows confusion with 'resignation'

The Bosnian Serb leader, Mr Radovan Karadzic, yesterday appeared to be continuing to defy international pressure for his removal when the Serbs repudiated a letter from him said to announce his resignation, Agencies report from Belgrade and Sarajevo.

Mr Carl Bildt, the international mediator in Bosnia, said Mr Karadzic had relinquished all power to his deputy, Mrs Biljana Plavsic. Mr Bildt's statement was accompanied by a letter he had received from Mr Karadzic, signed and sealed by the Bosnian Serb leader. But diplomats in Sarajevo said it was so artfully worded as to raise doubts about its ultimate intent.

No sooner had Mr Bildt made his announcement than Mrs Plavsic told Reuters news agency that Mr Karadzic would remain president until September 14, the date scheduled for Bosnian elections. Mr Karadzic himself was unavailable for comment.

The Bosnian Serb president, twice indicted for war crimes, is required by the Dayton peace agreement to relinquish public office and surrender to the United Nations tribunal in The Hague. International pressure, including the threat of a reimposition of sanctions on the self-styled Bosnian Serb "republic", and possibly also on the rump Yugoslavia, has been building steadily towards an unofficial deadline for action by today at the latest.

"This episode is an embarrassment for Bildt and the entire international community who once again are being made to look extremely foolish," said a western diplomat in Sarajevo.

"The letter of resignation signed by Karadzic was full of loopholes but Bildt accepted it as a definitive statement. This is the second time he [Bildt] bought into a Serb scheme which proved far less than it first seemed."

Yesterday's confusion mirrored an announcement by Mr Bildt in May that he had received verbal assurances from the Bosnian Serb leadership that Mr Karadzic was stepping down from public life and would no longer appear in public or wield power.

Although Mr Karadzic became less prominent, possibly because Nato troops had pledged to arrest him if he crossed their path, he was far from invisible.

Mr Bildt soon saw through the charade and refused to deal with Mrs Plavsic, who he said was merely Mr Karadzic's surrogate.

Mrs Plavsic, like Mr Karadzic, is known as a fierce opponent of the Dayton accords. A professor of biology, she publicly refused to shake the hand of Serbian President Slobodan Milosevic.

Mr Karadzic was re-elected president of his ruling Bosnian Serb political party on Saturday, leaving him with wide powers in Serb-held Bosnia even if he does step down as president.

The latest ploy by the Bosnian Serb leadership was likely further to antagonise the international community.

A White House spokesman, Mr David Johnson, said yesterday that the US government did not know for sure what Mr Karadzic's status now was. Reiterating Washington's policy towards the Bosnia Serb leader, Mr Johnson said: "He [Karadzic] needs to be not only out of power but he needs to be out of influence, out of town and in the dock."

Mr Hasan Muratovic, the prime minister of Bosnia's Moslem-led government, said the latest Bosnian Serb move meant little. "He has not been replaced. This is only a new trick by Radovan Karadzic," Mr Muratovic said in the city of Mostar, where Moslems and Croats were voting yesterday in an election intended to bring together their divided city.

Heads of the Group of Seven industrialised nations and Russia urged Mr Karadzic to resign immediately at a summit meeting which closed on Saturday in the French city of Lyons.

The participants at the Lyons summit said they were ready to reimpose sanctions on the Serbs if this move was recommended either by Mr Bildt or by the commander of Nato's peacekeeping mission.

Diplomats said the G7 countries had been pleasantly surprised by Russia's willingness to accept this tough language in the statement.

Bosnian Serb 'vice-president' Biljana Plavsic (left) claims to have succeeded Karadzic (right) Reuter

Jospin attacks Gaullists over apartment probe

By David Buchan in Paris

France's opposition Socialist party leader, Mr Lionel Jospin, yesterday attacked Mr Jacques Toubon, the justice minister, for thwarting judicial inquiries into the affairs of his fellow Gaullist, Mr Jean Tiberi, the mayor of Paris.

Mr Jospin was speaking at a Socialist convention just after the Paris prosecutor, who comes under Mr Toubon's authority, refused to let Mr Eric Halphen, an investigating magistrate, pursue any further allegations that Mr Tiberi abused his past position on the city council by renting and refurbishing a city-owned apartment to his son.

Mr Halphen had also asked for Paris detectives to accompany him on a search last Thursday of Mr Tiberi's own apartment, but they were stopped from going by the head of the Paris criminal police. The latter told yesterday's Journal de Dimanche that he had taken this decision without consulting any superiors because "an inquiry is not a treasure hunt". Mr Halphen eventually entered the Tiberi flat on his own and is said to have found two handguns, some ammunition and FFr20,000 ($3,846) in cash.

Paris has long been a Gaullist fief, with Mr Jacques Chirac its mayor from 1977 until he became president last year and Mr Alain Juppé, its deputy mayor responsible for finance until he became prime minister last year. Both were criticised for use of low-rent city housing, and Mr Juppé was eventually ordered by a prosecutor to move out of his flat.

Mr Toubon, a Gaullist deputy mayor of Paris and city MP in the past, has denied any attempt to smother the inquiries of Mr Halphen, who is still investigating allegations that housing contractors inflated their bills in order to funnel money into Paris city coffers.

Mr Jospin yesterday promised that the Socialists would make the judiciary independent of the executive if they won the 1998 elections.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
GERMANY:
Responsible for Advertising: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
R

Turkey's new Islamist PM pledges moderation

By John Barham in Ankara

As Mr Necmettin Erbakan, Turkey's new Islamist prime minister, prepared to unveil his government at a weekend news conference he noticed that a portrait of Kemal Atatürk, the secular republic's founder, behind the podium was hanging crooked. Mr Erbakan gently straightened the picture and proceeded to announce a government programme that promises continuity and minimal change.

Mr Erbakan said: "The essential basis of the [government] is that the Turkish Republic is a democratic, secular and social state based on law and the principles of Atatürk." He has little choice, since his alliance with Mrs Tansu Çiller's conservative True Path party and the vigilant, secularist military would block attempts to impose Islamic values.

Yet he also stated that, while maintaining Turkey's traditional pro-western policies, "co-operation with the Islamic, Central Asian and Balkan countries with which we have spiritual and historic links will be increased".

Mr Erbakan's government will be a permanent exercise in mollifying Turkey's secularist majority – his Refah party took only 21 per cent of the vote in December's general election – without alienating his own supporters.

Although Refah is highly disciplined, with great authority vested in the leader, its supporters must be wondering why Mr Erbakan, who once called Mrs Çiller "corrupt" and a "bride of the infidel", has handed her great power as his coalition partner. Only last week he warned Mrs Çiller: "It would be a disgrace if you tried to gain with trickery at the [negotiating] table what you failed to get from the [electorate]."

Refah will run the finance ministry and portfolios such as agriculture and public works which have little political importance but great powers of patronage. Mr Erbakan will be prime minister for two years, after which Mrs Çiller will take over for another two years.

True Path will head defence, interior, and foreign affairs, with Mrs Çiller as foreign minister and deputy prime minister. Thus Turkey's pro-western foreign policy is unlikely to change much. Turkey is a member of Nato, has a customs union with the European Union and in February signed a military co-operation agreement with Israel, angering other Moslem countries and Refah. However, foreign policy analysts fear Turkey's bad relations with Greece could worsen.

The new government's first hurdle will be to secure a vote of confidence in the 550-member parliament. The coalition partners have 286 MPs, but even True Path MPs are not certain they can win a majority.

Assuming the vote is positive, some doubt the government will last long. Mr Alan Makovsky of the Washington Institute for Near East Policy commented: "With widely differing views on foreign, economic and social affairs the coalition [is] unlikely to accomplish much and unlikely to last long."

Its cohesion may come under early attack from the opposition, furious at reports of an agreement to halt parliamentary corruption investigations into Mrs Çiller's and Refah's finances. Mr Bülent Ecevit, leader of the Democratic Left party, said "a Refah-True Path government would amount to a money-laundering operation".

Managing the economy will probably be the government's biggest headache.

Mr Erbakan said "the main target is to create an environment which will provide conditions of a free market economy". On Friday, Istanbul's stock market actually rose 3 per cent on news that Turkey would finally have a government after months of political confusion.

Dealing with Turkey's 83 per cent inflation rate, unsustainable government deficits and a snowballing public debt requires tough policies. Although the economy should remain stable during the summer, when inflation traditionally subsides and hard currency revenues rise, financial analysts expect a crisis as winter approaches.

They fear True Path and Refah will bicker over the political costs of reforming the economy. Postponing reform or indulging in populist programmes would simply make the inevitable crisis all the more severe. Mrs Çiller has a mixed record running the economy. As prime minister in 1993-96, her mismanagement is blamed for tipping Turkey into its deepest recession in 1994. But she stabilised the economy last year under guidance from the International Monetary Fund. Last September she scrapped her IMF agreement after calling elections and government spending went out of control. Ironically, the hardship her policies caused helped Refah become the biggest party in parliament.

Mr Erbakan promises to bring prosperity without changing the secular order, but many Turks fear that if Refah remains in power for long, it will entrench itself in the machinery of state and gradually subvert Atatürk's heritage from within. Yet if his government should fail to satisfy his supporters, harder men could elbow him out of the leadership and push Refah towards a less comprising stance.

Editorial Comment, page 15

Ireland sets out European stall

By Lionel Barber in Brussels and John Murray Brown in Dublin

Ireland takes over the presidency of the European Union today at e critical time in its relations with Brussels.

Although one of the most enthusiastic supporters of European political and economic integration, Ireland is increasingly eware that the comfortable certainties underpinning EU membership can no longer be taken for granted.

The forces of change are swirling inside the Maastricht treaty review conference (the IGC) which the Dublin government will steer for the next six months. But they are also being felt in the run-up to enlargement of the EU to the poorer countries of central and eaatern Europe, which is bound to affect Ireland's status as the largest net recipient of EU fiscal transfers.

In the short term, however, Ireland must pick np the threads from the Italian presidency, whose performance suffered from the distractions of an election campaign at home and the disruption caused by Britain's policy of non-cooperation over the ban on British beef exports.

Beef could still prove troublesome, particularly if Mr John Major, UK prime minister, fails to secure a partial lifting of the EU ban in early autumn. It has not escaped the attention of Irish officials that Mr Major's own informal timetable happens to coincide with what could be a Eurosceptic-dominated Conservative party conference in October. As well as clearing the backlog of EU business, Ireland intends to focus on three priorities:

- The mechanics of monetary union. EU finance ministers and central bank governors meet in mid-September in Dublin to nail down an agreement on the relationship between countries participating in the planned single currency area and those outside, and on the German plan for a stability pact to enforce budgetary discipline in the post-Emu world.
- The Intergovernmental Conference. Under pressure from France, the Irish presidency has agreed to hold a special summit of heads of government and foreign ministers in Dublin in mid-October to give fresh impetus to the IGC negotiations. EU leaders hope to conclude a draft treaty on Maastricht 2 by the European summit in Dublin in December, but British intransigence ahead of the UK general election is raising speculation that the IGC may not wrap up business until autumn 1997.
- Employment. The Irish were disappointed with the inconclusive results of the Florence summit last month and hope to relaunch European Commission president Jacques Santer's "pact of confidence" in December. Mr John Bruton, Irish prime minister, said last week he wanted to include an employment chapter in the Maastricht 2 treaty, though some see this as a marketing device for selling Europe to ordinary citizens rather than a new legally defined base for action on employment.

Ireland 1996 | Presidency of the European Union

Ireland, which joined the EU in 1973, is probably the most pro-European state. It sees itself as an equal with its EU partners, a point which has helped the country improve relations with the UK, with which it has had a troubled history. Economically, Ireland has benefited hugely from EU membership and as a recipient of EU fiscal transfers. On present projections, Mr Ruairi Quinn, finance minister, says Ireland's per capita income will have reached the EU average by 2004 and will overtake that of the UK by 2010.

Ireland'a success means it mnst plan for a reduction in Brussels regional aid, most likely around the turn of the century. But the Dublin government does not want to offer hostages to fortune before the outcome of the IGC and the monetary union arrangements are certain or before serious negotiations start among member states on the size of the next EU budget.

On institutional matters, Ireland is aware this may be the last six-monthly presidency which it controls exclusively. In the IGC, ideas are being floated for a "team presidency" model involving at least one big country and lasting up to a year or 18 months.

Mr Bruton wants to show that small countries can conduct an effective presidency.

Meanwhile, Mr Dick Spring, the laconic Irish foreign minister, has made clear Ireland will go to the wall to retain its EU commissioner. Like all smaller states, Ireland sees the European Commission as a guardian against bigger countries.

On defence, Ireland is reviewing its stance as a neutral country. It is considering increasing its observer status in the Western European Union defence organisation, while stressing this does not constitute membership of a military pact.

On all of these issnes, Ireland's freedom of action is constrained by tensions within the coalition, particularly on defence. Mr Bruton's Fine Gael party is prepared to go further in remodelling Irish neutrality than Mr Spring's Labour party or the small Democratic Left, led by Mr Prionsias de Rossa.

But perhaps the most sensitive issue of all is the single currency, because it tonches on Ireland'a new-found self-esteem. Publicly, Ireland is committed to join; Ireland is also one of *only* three countries judged to meet the Maastricht criteria on public deficits and debt, alongside Denmark and Luxembourg.

Yet Ireland's export sector continues to be dependent on the UK. The Irish insist they can go it alone, but in practice they will be influenced heavily by what the UK chooses to do on Emu. It is an ironic twist, since so much of Ireland's recent economic success has been about cutting the umbilical cord with London.

Lisbon pools defeat sparks tax debate

By Peter Wise in Lisbon

Fans suffered Portugal's defeat in the quarter finals of the Euro 96 football championship with forbearance. Bnt the country's love of soccer is not passionate enough to pardon football clubs their tax arrears.

A plan to help popular clubs such as Benfica and FC Porto pay their debts to the taxman has resulted in an embarrassing defeat for the Socialist government and touched off debate over what is officially acknowledged to be an unjust and inefficient tax system.

The minority government suffered its biggest setback since taking office last November over a bill that would have increased the football clubs' share of revenue from the state football pools system from 50 to 100 per cent, to help them to pay back an estimated Es15bn ($95m) in tax arrears.

The idea of such generosity to clubs which spend fortunes on new players but have largely ignored the taxman for years triggered an angry reaction. This is because tax evasion among companies and self-employed professionals is so rife in Portugal that the main brunt of taxation falls on wage earners, the lowest paid.

Opposition parties caught the mood and voted against the football pools measure, even though the previous centre-right government had failed with several other schemes to bring the football clubs to order and despite the fact that tax arrears are estimated to have increased at a rate of Es150bn a year during the last four years it was in office.

The clubs' debts are only a tiny fraction of an estimated total of Es1.100bn owed in unpaid taxes and social security. But the football row has diverted attention away from more important government plans to enforce respect for tax regulations.

A clampdown on tax evasion and frand is one of the main weapons being wielded by Mr António Sousa Franco, the finance minister, in an effort to lift total tax revenne by 7.9 per cent this year to Es5,338bn, withont increasing tax rates. On the same day as the football bill was defeated, the cabinet epproved a decree-law enabling all tax arrears to be paid in instalments over 12½ years.

The government hopes to recoup the equivalent of 2 per cent of gross domestic product, about Es300bn, in lost tax revenue in three years. Improved efficiency in tax collecting is forecast to bring in an extra Es82.3bn in revenue this year, more than half coming from the recovery of outstanding debts. But independent tax specialists believe these are optimistic targets.

"The answer lies in providing tax officers with better training in auditing techniques and raising the frequency and qnality of field inspections," say Mr Carlos Loureiro, e Lisbon-based partner with Arthur Andersen. "Improving computer systems is also critical. Portugal lacks a crucial cross-checking system between corporate tax and VAT payments."

Wage earners – whose tax payments are usually deducted at source – carry a heavy burden, accounting for most of the Es997bn the state expects to raise in personal income tax this year. Total corporate tax revenue, forecast at just under half that, is largely paid by e handful of big companies.

"To squeeze salaried employees any further would be to kill the goose that lays the golden egg," says Mr Loureiro.

Labour reform 'vital for Emu'

European Monetary Union is likely to fail without widespread reform of labour laws, according to the Union Bank of Switzerland, one of Europe's most respected financial institutions, writes Daniel Green.

Monetary union would "not work from an economic perspective" because of low levels of economic integration and cross-border labour mobility, says the bank in a report published today.

"European governments have to acknowledge that labour market reforms are just as important as fiscal discipline for monetary union to work over the longer term," said Mr George Magnus, UBS chief international economist and co-author.

The bank says monetary union for core member states – Germany, the Benelux countries, Austria and France – could work provided their economic policies were tightly aligned. But even there, "asymmetric shocks" could expose discrepancies in labour markets.

It says that "wages are an asymmetric shock waiting to happen". French wages set in plant-by-plant talks could be different from German pay settlements agreed nationally.

EUROPEAN PRESS REVIEW

No space for impartiality

RUSSIA

By John Thornhill

Russia's independent media appeared to come of age last year in covering the conflict in the separatist region of Chechnya with striking openness and courage.

The media, it seemed, really could play an influential role in building a civil society in a country where the Soviet state had for seven decades boasted of its monopoly of truth.

But some Russian journalists fear newspapers have betrayed their relative immaturity in coverage of the presidential elections, which reach their second-round showdown on Wednesday when President Boris Yeltsin squares off against Mr Gennady Zyuganov, his Communist challenger.

Most newspapers have dropped any pretence of objectivity, lining up on one side or other of the ideological barricade. Some journalists fear the liberal media's role as uncritical cheerleader for Mr Yeltsin can only damage its credibility.

Even the most impartially minded newspapers, such as *Sevodnya*, *Izvestiya* and *Nezavisimaya Gazeta*, have given minimal coverage to Mr Yeltsin's opponents and glossed over politically sensitive issues such as the president's health.

Less scrupulous newspapers have even stooped to running scare stories prepared by President Yeltsin's campaign team about the Communists' economic plans or to inflaming imaginary disputes between Communist party leaders.

But this deluge of anti-Zyuganov propaganda has been offset partly by the Communist press, which has been savagely critical of Mr Yeltsin's regime.

Although Russian readers cannot hope to obtain a balanced view from any one newspaper, it is still possible to read an array of robust opinions from several different sources.

One example came on Saturday in the reporting of Mr Zyuganov's meeting with the head of the Russian Orthodox Church.

The pro-Communist *Sovetskaya Rossiya* turned over most of its front page to the presidential candidate's thoughts about the importance of the national church in defeating the "powerful forces" in the world intent on destroying Russia. Mr Zyuganov appeared to come close to atoning for the Soviet Communist party's repression of religion, expressing regret for the millions who had died in civil troubles in Russia this century and promising to learn the lessons of history.

"We completely reject the politics of state atheism," vowed Mr Zyuganov, who once worked in the Soviet Communist party's ideology department.

But the newspaper failed to mention that the church hierarchy had come out strongly in favour of Mr Yeltsin or reflect that Mr Zyuganov's views on religion were anathema to many orthodox Communists.

These facts did not pass unnoticed by *Komsomolskaya Pravda*, once regarded as the bible for ideologically correct Soviet youth but latterly transformed into an aggressively anti-Communist broadsheet.

Beside a photograph of a destroyed church, the newspaper recorded previous Communist party leaders' violent thoughts about the role of religion in society. It observed that Mr Zyuganov would have been regarded by them as a "product of the putrefaction of ancient society".

Liberal journalists justify their overt political stance by claiming Mr Zyuganov would close their newspapers if he won the election and they promise to return to their traditionally critical observation of the powers-that-be after the elections.

But at least some in the liberal camp wonder whether their anti-Zyuganov stance may not backfire.

In the *Ponedelnik* newspaper, Mr Alexander Minkin, one of Russia's most spirited journalists, argued that the democratic press had destroyed much of its moral authority in its partisan coverage and would suffer lasting damage.

Mr Minkin wrote that one newspaper editor told him: "Write what you want, only do not touch Yeltsin." Mr Minkin replied: "Breathe what you want, except for air."

NEWS: THE G7 SUMMIT

Greater co-operation promised at industrial nations' Lyons meeting

G7 to aim for monetary stability

By Bruce Clark and Robert Chote in Lyons

The Group of Seven leading industrial countries adopted a series of proposals by their finance ministers aimed at bolstering the stability of the international monetary system at the close of their weekend meeting.

Finance ministers said the G7's surveillance of national economic policies should be stepped up, concentrating on risks from both inside and outside the seven. Co-operation among finance ministry deputies, IMF staff and central bank deputies will also be strengthened in the run-up to ministerial meetings.

The G7 also recommended enhancing co-operation across markets to strengthen supervision of financial institutions, including better organisation of the links between banks, securities and insurance supervisors. Prudential regulation and supervision should be improved in emerging markets, while regulators everywhere should exert more pressure on the private sector to make market activities more transparent.

Derivatives markets were singled out as an important risk area, with the G7 arguing for improved reporting and disclosure of derivatives activities. The G7 welcomed the movements in key exchange rates over the past year, which they saw as a "positive and promising development". The ministers pledged to keep up their co-operation in foreign exchanges, noting that intervention was most effective when it was concerted and well-timed and when it reinforced changes in policies and economic fundamentals.

In the political arena, the G7 and Russia issued an appeal for the Middle East peace process to be kept on track despite recent setbacks.

Without referring directly to the advent of a more hardline government in Israel, the eight leaders said the peace process "required a new impetus" and pledged "to provide full support to those who take risks for peace".

They said the resumption last year of contact between Syria and Israel "formed part of a peace dynamic that must be preserved". While taking note of the security fears that emerged in Israel's election campaign, they insisted that a comprehensive peace was the only guarantee of security for the region's population. But Mr Evgeni Primakov, the Russian foreign minister, sounded a pessimistic note, saying no breakthrough was likely before the US presidential elections.

In a 17-page list of pronouncements on world affairs, issued by the group's French presidency, the summit renewed appeals to Iran to "play a constructive role in regional and world affairs" and said no country should help Iran acquire nuclear weapons. Participants' attitudes to Iran varied from the total isolation favoured by Washington to the co-operation pursued by Russia.

Meeting in the presence of Mr Boutros Boutros Ghali, the UN secretary general whose reappointment has been blocked by the US, the group pledged early action to solve the UN's financial crisis, based on a fairer scale of contributions and prompt action by all countries to settle outstanding debts.

This was a clear reference to Washington's $1.5bn debt to the UN, which the US Congress is reluctant to settle unless there are sweeping reforms in the organisation.

In a new area of activity for the group, the leaders promised to intensify their co-operation in fighting infectious diseases, and vowed to create mechanisms for the prevention, detection and surveillance of epidemics.

Pledging to attach "top priority" to the integration of environmental concerns into economic policy, the Group said it was exploring the possibility of new accounting systems that would take better account of natural resources as well as air, water and soil quality.

However, parts of the G7's declaration on ecological issues were slightly softer than earlier drafts had indicated. The leaders said they looked forward to international action on forestry management, but dropped earlier calls for a "legally binding instrument" for forestry to be considered.

Lex, Page 16

Mr Victor Chernomyrdin, the Russian prime minister has urged leaders of the capitalist world to give his country credit for market reforms and to stop discriminating against Russian goods, Bruce Clark reports.

Mr Chernomyrdin complained in Lyons that Russia was still subject to many of the same barriers to participation in the world economy which it had faced in communist times.

"Nearly 70 per cent of our economy is outside the state sector, and yet Russia remains the object of many of the same prejudices and limitations which people applied to the Soviet Union," he said. "This is simply unfair, it is abnormal."

The prime minister was apparently referring to Russia's desire to join the World Trade Organisation, and to its complaints that Russian exports ranging from uranium to textiles face unfair discrimination.

Mr Chernomyrdin said the Lyons summit marked a step forward in the acceptance of Russia by the G7, which since 1994 has admitted Moscow to political discussions but not to hard-core economic ones. The Group had now accepted that "without our country, its natural resources, its economic and intellectual potential, no global problem can be solved".

He also claimed to have won support for a re-examination by the UN of the legal status of the Caspian Sea.

Japan takes tougher line in chips dispute with US

By Guy de Jonquières

Japan has toughened its stance in a dispute with the US over semiconductor trade, by giving a veiled warning that Washington risks harming bilateral relations unless it is prepared to compromise.

Mr Ryutaro Hashimoto, Japan's prime minister, said he conveyed this message to President Bill Clinton after the weekend G7 summit in Lyons. The US leader had suggested in Lyons that the two governments aim to settle the issue – and a trade dispute over insurance – by the end of this month.

Mr Hashimoto said Japan would "do its utmost" to meet the deadline. But he said: "Since we're talking about a conclusion, we would need the Americans to make efforts too. If people on the US side are engaged on other matters and haven't the time, that will not be taken well."

The Japanese leader added: "We cannot allow the relationship between the US and Japan to be undermined by these issues." But he found it hard to see how the disputes would end. He and his advisers had been surprised by Mr Clinton's proposal for a deadline, he said.

Mr Yoshihiro Sakamoto, vice-minister of Japan's Ministry of International Trade and Industry and its chief negotiator in the semiconductor talks, reinforced the hard line by saying it was "inconceivable" that his government would sign another bilateral chip trade agreement with the US.

Washington is pressing Japan to renew a five-year-old semiconductor trade agreement which expires at the end of this month. Japan objects that the existing accord amounts to managed trade, because it contains numerical targets for foreign chip producers' sales and market share in Japan.

Though the US says it only wants a short-term transitional accord, without explicit targets, Mr Sakamoto said it was still seeking to put a floor under foreign chip makers' share of the Japanese market, currently about 30 per cent.

He said another bilateral agreement would simply give the US a pretext to threaten unilateral trade sanctions against Japan. Tokyo was only interested in discussing its proposal for multilateral co-operation, which would embrace all the main chip-producing countries and involve only a small role for governments.

Mr Sakamoto said Japan was prepared to include the European Union in such an arrangement, even if it did not meet Japanese and US demands that it abolish its semiconductor tariffs, the highest in the industrial world. However, Mr Hashimoto said the EU must scrap its tariffs first, because they made international competition in the industry unequal.

Dinner *à quatre* caps summit for perfect host

By David Buchan

French President Jacques Chirac used his role as host of the Group of Seven summit in Lyons to get what he wanted – a recognition of the risks as well as rewards of world economic integration, a push for development aid and firmness on Bosnia – without upsetting his guests' other priorities.

Judging from Mr Chirac's bombastic performance at his first G7 appearance a year ago in Halifax, Canada, few could have forecast the French president would bring off this balancing act in Lyons.

But he moved adroitly to accommodate President Bill Clinton's desire for a swift summit condemnation of terrorism in the wake of the bombing at Dhahran in Saudi Arabia, which the French president is due to visit this week.

Mr Chirac made terrorism the main issue at the opening dinner, made a joint public statement afterwards with Mr Clinton, conspired to pretend that a 40-point action programme already prepared by the G7 on organised crime also applied to terrorism, and promised to organise a G7 anti-terrorist conference in Paris later this month.

If Chancellor Helmut Kohl of Germany seemed a bit disgruntled at being alone in his opposition to International Monetary Fund gold sales to help developing countries, it was not Mr Chirac's doing. The French president left it to others to point out that Germany would now probably be outvoted in the IMF on the issue and that some gold would be sold.

The second half of the Lyons summit produced two innovations.

For the first time, Russia in the person of Mr Victor Chernomyrdin, the prime minister, joined the G7 to discuss global political problems, not just Russia itself. But Mr Chirac finessed any implications this might have for the delicate question of enlarging the G7 by dubbing the second half of the gathering the P8 (for political group of eight).

Mr Chirac also catered for the US president's electoral constraints. He declined to arrange any ambush of Mr Clinton on US trade legislation or on US opposition to Mr Boutros Boutros Ghali's re-election as United Nations secretary general, though on both issues the US was in a minority of one.

To have done so would, of course, have marred the Chiracs' invitation to the Clintons to join them for dinner in the Place des Vosges in Paris on Saturday night. That … went off well and a … than a G7 wrap-up concert in Lyons where Johnny Hallyday, France's Elvis Presley, failed to show up because of a row over an orchestra.

Tariff plea to aid poor countries' exports

By Guy de Jonquières and Robert Chote

Mr Renato Ruggiero, head of the World Trade Organisation, has called on industrialised nations and advanced developing economies to commit themselves this year to scrapping tariffs on many exports from the world's poorest countries.

Mr Ruggiero said after meeting leaders of the Group of Seven richest economies in Lyons at the weekend that he was optimistic that there was "a solid basis" for progress on the proposal at the WTO's ministerial conference in Singapore in December.

The plan aims to put flesh on a call by the G7 leaders for a "global partnership" to help poor countries and integrate them with the world economy. It was discussed at a special meeting in Lyons also attended by the heads of the United Nations, the World Bank and the International Monetary Fund.

The summit called on the institutions and the WTO to co-operate closely to relieve poverty and assist the development of poor countries by increasing the effectiveness of aid, improving education and training, encouraging sound economic policies and promoting restructuring.

Mr Ruggiero said the G7 leaders had agreed that debt relief and improved access to rich countries' markets should be the two main pillars for action.

But although the European Union broadly supports Mr Ruggiero's proposal, it still has to overcome uncertainties and practical obstacles. One of the biggest challenges will be to reach agreement on the types of products on which tariffs should be removed.

The 48 least developed countries account for less than one per cent of world exports. However, many of these are in sensitive sectors, such as textiles, where the US, in particular, is under strong pressure from domestic producers to keep tariffs high.

A way must still be found to square the scheme with WTO rules, which normally forbid tariffs that discriminate between countries. There is also disagreement about whether it should apply to all the least developed countries, or only to African economies.

On Saturday Mr James Wolfensohn, the president of the World Bank, welcomed the G7's backing for the poor country debt relief initiative which the bank is assembling with the International Monetary Fund. This aims to reduce the debts of up to 20 poor countries to "sustainable" levels.

The G7 leaders said the bank should commit around $2bn to the initiative. Mr Wolfensohn said he had proposed allocating "amounts more than sufficient to cover a proportionate share of the costs", but the bank's contribution depended on an acceptable sharing of the financial burden with other multilateral creditors and individual governments.

The G7 also urged the so-called "Paris Club" of creditor governments to go beyond the 67 per cent debt relief agreed at the Naples summit in 1994, as its contribution to the initiative. No target was set for the Paris Club, which will discuss its contribution later this month.

The biggest hurdle to the initiative is funding the IMF's contribution. To this end the G7 backed putting the IMF's "enhanced structural adjustment facility" on a permanent footing and then making the loans available under it more concessionary. The UK has proposed giving countries longer to pay the loans back, but some IMF officials favour giving grants to help borrowers with their repayments.

The US and UK emerged from the summit confident that the IMF contribution would be paid for in part by selling and reinvesting around $2bn of the IMF's $40bn gold reserves. Germany remains opposed to this option, but it probably no longer has the 15 per cent support it needs to block gold sales in the IMF board. IMF officials want to press the issue this month and believe Germany may abstain rather than be outvoted.

NEWS: INTERNATIONAL

Indian stance may block nuclear pact

By Frances Williams in Geneva

Mr Kumar Gujral, India's foreign minister, confirmed at the weekend that India did not intend to sign a global treaty outlawing nuclear tests, saying his country would retain the nuclear option as long as the official nuclear powers failed to disarm.

His remarks followed the failure of negotiators in Geneva to conclude a test ban treaty on Friday, after they reached an impasse on how to bring the accord into force.

Instead, Mr Jaap Ramaker, the Dutch diplomat chairing the UN-sponsored talks, has given the 61 countries taking part a compromise draft treaty text and asked negotiators to return on July 29 with their governments' verdicts.

Later, at their summit in Lyons, the Group of Seven industrialised nations plus Russia urged completion of the test ban treaty by September, when it is due to be signed at the UN general assembly.

The US, Russia, France and Britain, which with China make up the five declared nuclear powers, also pledged the "utmost restraint" on nuclear tests until the treaty came into force. The four nations are already observing a moratorium on testing. China has said it will suspend testing after September.

However, India's stance has raised fears that the pact may never be operational. Britain, Russia, China and Pakistan have insisted that it should be ratified by the five official nuclear weapons states plus India, Pakistan and Israel, which are on the threshold of becoming nuclear status.

Other countries would have preferred a more flexible formula that would allow the treaty to come into force even without India. But Mr Ramaker's final draft requires all 44 states with nuclear installations, who are also members of the UN disarmament conference, to ratify.

If the treaty is not in force after three years countries can call a review conference to discuss what to do next. But the conference would not itself have the right to waive the ratification conditions.

It remains unclear whether this formula is acceptable to India, which had earlier threatened to veto the pact altogether if it included a requirement for New Delhi to ratify.

Another unresolved issue concerns provisions for on-site inspection. China said on Friday it would ask for changes in the proposed regime, which would allow inspections to be approved by a simple majority of the treaty's executive council.

Editorial comment, Page 15

Inkatha routed in KwaZulu polls

By Mark Ashurst in Johannesburg

The African National Congress has won control of all the metropolitan councils of KwaZulu Natal, routing the rival Inkatha Freedom party in the industrial heartland of South Africa's troubled province.

Inkatha's support among urban voters collapsed in last week's local government election, as whites who backed the party during the national all-race election of April 1994 shifted their support back to the white-dominated National party and the ANC made gains among other minority groups.

The ANC has won control of the province's 13 town councils, with a combined annual budget of more than R5bn ($1.1bn). Although Inkatha is likely to win most of the rural local councils, representing more than half the electorate, their share of the coffers will be less than R100m.

The ANC's command of the economic hub of the province will change the focus of party politics in a region which has claimed more than 10,000 lives in political violence over the last decade. This follows hopes of a fall in the death toll, in the wake of elections last week.

Its control of Pietermaritzburg, Durban and Richard's Bay, cities along the "development corridor" from Johannesburg to the Mozambican harbour capital of Maputo, is a powerful incentiva for rapid developmant before tha national election in 1999.

Final results from rural areas are expected early this week, but the ANC's gains will curtail Inkatha's influence in a province it has dominated for almost 20 years. They are a clear setback for Inkatha's attempts to broaden its traditional constituency of rural Zulus and tribal chiefs, who command 20 per cent of the seats on the province's seven regional councils.

Inkatha won 51 per cent of the vote in KwaZulu Natal in April 1994. But its divided administration, a coalition between the ANC and Inkatha modelled on the national government, has achieved little.

New guerrillas appear from Mexico's hills

By Leslie Crawford in Mexico City

A new, self-styled guerrilla group has appeared in western Mexico, calling for the violent overthrow of President Ernesto Zedillo's government and staging a brief skirmish with police before disappearing into the mountains north of Acapulco.

About 70 masked men and women, dressed in green fatigues and armed with AK-47 rifles, marched into the small hamlet of Aguas Blancas in the state of Guerrero on Friday, where peasant organisations and the leftwing Revolutionary Democratic party (PRD) were holding a ceremony in memory of 17 peasants killed by police a year ago.

The group, calling itself the Popular Revolutionary Army, fired shots into the air, laid a wreath at the site of the massacre, read a manifesto calling for the overthrow of Mexico's "anti-democratic and illegitimate government", and were gone.

Later that night, the guerrillas set up road blocks to distribute leaflets and clashed briefly with police.

Rebel soldiers escort Zapatista guerrilla leader Subcomandante Marcos to a meeting on Indian rights at the weekend AP

The government in Mexico City sought to play down the significance of the first armed group to announce its existence since the Zapatista uprising shook the country in early 1994. The government said it regarded the incident as a violation of the country's firearms laws, rather than as a political problem.

Nevertheless, there have been persistent reports of the formation of armed guerrilla groups in Guerrero – a state racked by land conflicts and the violence of drug traffickers.

Arizona reaches for the sky with media deal

By Christopher Parkes in Los Angeles

Arizona's ambitions to capture a slice of the fast growing US electronic media industry have been boosted by American Sky Broadcasting's decision to build its terrestrial hub close to the state capital, Phoenix.

ASkyB, which combines the forces of the MCI telecommunications group and Mr Rupert Murdoch's News Corporation, is an aggressive, deep-pocketed newcomer to US satellite broadcasting, currently rated as the fastest growing media business in the country. Industry revenues are expected to exceed $7bn by the turn of the century.

The decision gives Arizona its first significant stake in the national media bonanza started by last year's telecoms deregulation and is expected to enhance its appeal to ancillary businesses in programme production and other services.

Building will start almost immediately on a 40-acre site in Gilbert, 15 miles from Phoenix.

ASkyB, which plans 300 channels of standard television fare, plus multi-media services such as teleconferencing for business and universities, is due to go on air in August 1997.

"The new facility will be the largest and most sophisticated television broadcast facility ever built anywhere in the world," ASkyB executives boasted.

MCI and News Corp paid more than $600m in January for the last remaining nationwide satellite broadcasting licence and plan to invest a further $1bn on developing ASkyB services.

The site decision was announced on Friday minutes after emergency legislation which adds some $7m to the package of incentives and tax breaks on offer was signed into law.

The legislation, which includes extending tax concessions on conventional manufacturing plant to electronic equipment, was rushed through the state assembly at the partners' request following comparisons with incentives offered by other potential sites in Colorado and Nebraska.

Although the companies have announced no firm plans, lobbyists pushing for the tax changes suggested they might invest a further $100m on the site to provide in-house programming and other facilities.

News Corp's film division, 20th Century Fox, is already established in Arizona and has recently moved into a new animation studio in Phoenix, which the company describes as a $100m commitment.

Independent investors are currently scouting for sites and backers to build a full-service TV and film sound-stage complex – Arizona's first.

This will further increase the state's attractions for programme makers from California in particular, where Hollywood's studios are booked solid for at least the next 18 months.

INTERNATIONAL NEWS DIGEST

Gazprom may quit gas group

Gazprom, Russia's largest company, is expected to withdraw from an international consortium trying to develop the giant Karachaganak natural gas field in Kazakhstan. The company, which discovered the field during the Soviet era, will be replaced by Lukoil, the largest Russian integrated oil company, which is involved in most of the big oil and gas projects being planned in the Caspian Sea area.

Gazprom has a 15 per cent share in the consortium, which has the exclusive right to negotiate a production-sharing contract with the Almaty government.

British Gas and Agip, the two western companies in the Karachaganak consortium, brought in Gazprom in an attempt to find a way to export Karachaganak gas through the Russian national gas grid. But Gazprom is understood to have been preoccupied with other projects, and has paid little attention to development of the field. In addition, it has not paid its share of maintenance costs. *Robert Corzine, London*

More Argentines out of work

Argentina's governing Peronist party was wounded on its most sensitive flank when official figures, published on the eve of Buenos Aires elections yesterday, showed the jobless rate had risen to 17.1 per cent from 16.4 per cent a year ago. Unemployment, which tripled from 6 per cent in 1991 to 18.4 per cent a year ago, is the number one concern of Argentines, with 2.12m now out of work.

The negative impact of the news was compounded by a public relations fiasco in which the government late last week mistakenly announced that the rate had fallen to 16 per cent. President Carlos Menem, who has promised to pulverise unemployment, said it was his administration's most serious problem. *David Pilling, Buenos Aires*

Israeli budget cuts planned

Israel's minister of finance, Mr Dan Meridor, yesterday said Israel must implement deep budget cuts and carry out structural economic reforms. He told ministers thet cutting the Shk5.5bn ($1.7bn) budget deficit was vital to maintain growth and keep unemployment low. Mr Meridor warned that without austerity measures the government would face difficulties in borrowing money on the world markets once $10bn in US loan guarantees run out in 1998.

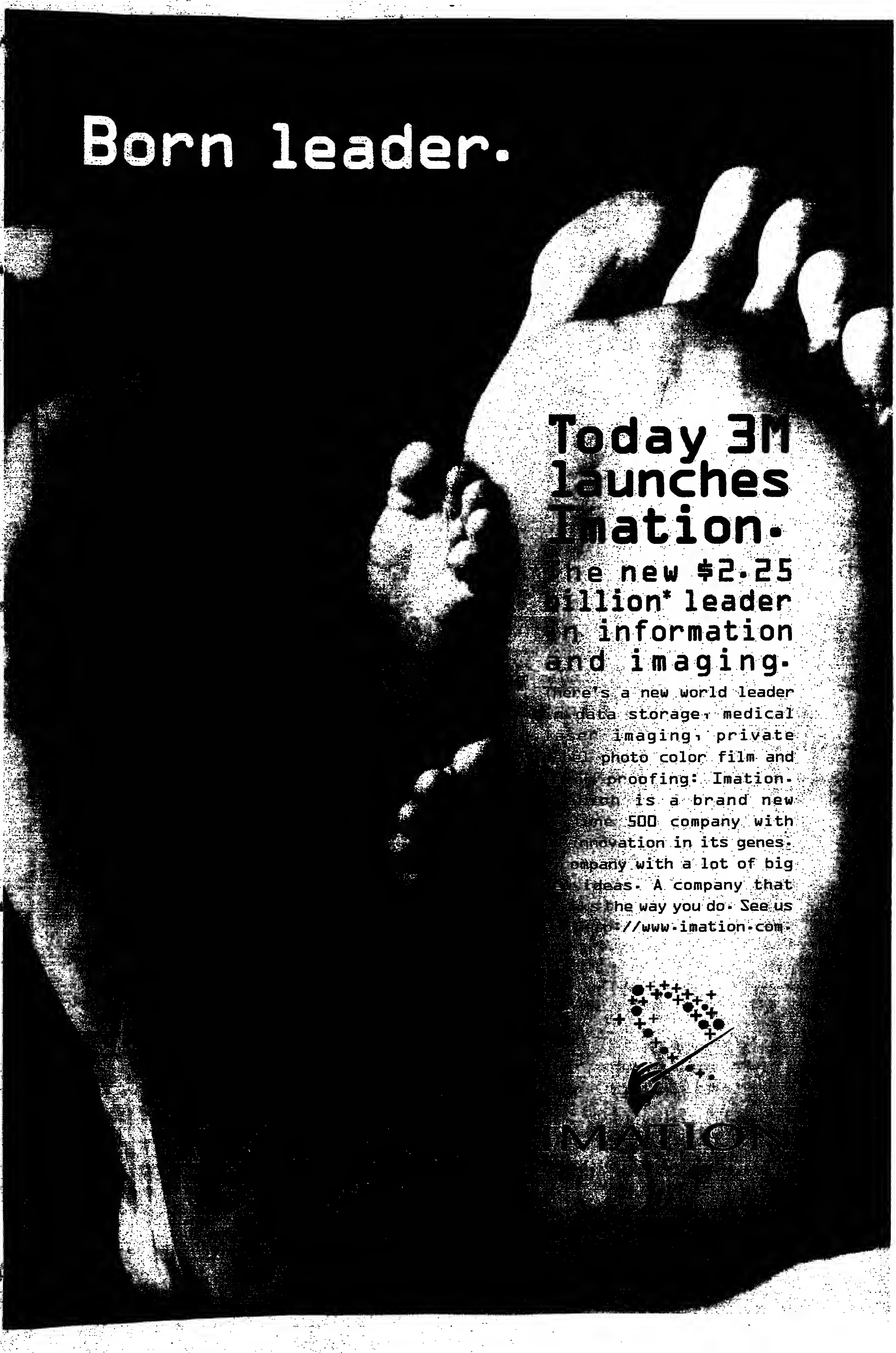
He also urged fellow ministers – some of whom belong to special-interest coalition parties – to show "collective responsibility" for the government's economic success. Austerity measures are likely to include a cut in government grants to foreign investors, currently up to 34 per cent of the investment, officials said. *Yaroslav Trofimov, Jerusalem*

Curbs for callback services

In an apparent setback to efforts to liberalise global telecoms markets, the International Telecommunication Union has adopted a resolution making it easier for member states to block "callback" services that compete with high-priced public telecoms monopolies.

The resolution commits all 185 ITU members to "eliminate unauthorised practices" if they infringe the national law of other member states. Some 25 countries ban or otherwise restrict callback services, including China, Egypt, Kenya and Malaysia. Portugal is also on the list.

Callback services, run from low-tariff countries such as the US, allow customers to call an overseas number which returns their call automatically. Calls are then placed through an operator, allowing customers to make large savings on international phone bills. *Frances Williams, Geneva*


Born leader.
Today 3M
launches
Imation.
he new $2.25
billion* leader
in information
and imaging.
There's a new world leader
data storage, medical
imaging, private
photo color film and
proofing: Imation.
is a brand new
500 company with
innovation in its genes.
company with a lot of big
ideas. A company that
the way you do. See us
://www.imation.com.
IMATION

ASIA-PACIFIC NEWS DIGEST

Three indices for Singapore

Singapore's stock exchange is to launch three indices today, including one grouping the shares of foreign companies listed on the exchange. The indices are intended to provide a benchmark by which investors and fund managers may assess portfolio performances. The Stock Exchange of Singapore hopes the move will bring greater liquidity to the market.

The three indices are the SES Foreign index, the SES Electronics index and the SES Mainboard index. The stocks in each index will be weighted according to their market prices and will have January 2, 1996 as their base date.

The foreign index, composed of 23 companies from the 37 foreign-currency stocks listed on the exchange, include companies such as Acer Computer International, Hongkong Land Holdings, Jardine Matheson Holdings and Mandarin Oriental International. The exchange used the size, profitability and share turnover of companies to decide which should be included.

The new electronics index groups 29 companies in the electronics industry and the SES Mainboard index comprises all shares currently quoted on the SES All-Singapore index and the SES Foreign index. *James Kynge, Kuala Lumpur*

GE seeks plastics plant site

General Electric of the US is scouring south-east Asia for a site for a $700m petrochemical and plastics plant, expected to be the biggest of its kind in the region.

Thailand, Indonesia, Singapore and Malaysia are all in the running for the investment, GE said. The plant would bring an additional $200m of investment from feedstock suppliers. It would produce 65,000-180,000 tonnes a year of high quality polycarbonate plastics, with motor manufacturers envisioned as big customers.

Thai officials believe they have an advantage over other countries because of recent decisions by General Motors and Ford, both of the US, to locate Asian manufacturing bases in Thailand.

However GE officials said although these companies were considered major buyers, the plant could be located anywhere in the region because the products were light, easy to transport and tariffs on car parts were falling.

Because of this, up to 90 per cent of the plant's output could be exported. In addition, much of the cost of the manufacturing process would be design undertaken in the US or Japan, and would therefore unlikely to be subject to tariffs. *Ted Bardacke, Bangkok*

S Korean car strike to end

Union workers at Kia Motors, South Korea's second biggest carmaker, yesterday said they expected to end a two-week long strike today. "Workers will vote this morning. But most of them seem to be in favour of ending the strike since management has accepted most of what the union wanted," a union official said.

The company earlier agreed to a pay rise of slightly more than 10 per cent, but the union was holding out for compensation over pay lost during the strike. Management accepted the union's demand for Won300,000 ($370) per worker in compensation in the final minutes of negotiations on Saturday. Kia also agreed to reduce the working week to 41 hours from 43 and give workers the right to stop production lines in cases of emergency.

Workers at Daewoo Motors, a unit of Daewoo Group, have said they will go on partial strike today. *Reuter, Seoul*

China to study further convertibility move

By Tony Walker in Beijing

China will begin to study making its currency convertible on the capital account following the phasing in of current account convertibility this year, said Mr Xu Bin, deputy head of the State Administration of Exchange Control (SAEC).

However, the move would require careful investigation, and it would "take some time" for full convertibility to be achieved, he said.

Mr Xu was outlining China's plans to begin extending throughout the country from today an experimental scheme which allows foreign-funded enterprises to buy and sell foreign exchange in the banks. Previously these enterprises were obliged to use government-sponsored "swap centres".

China has pledged to achieve current account convertibility by the end of this year and thus comply with Article 8 of the International Monetary Fund. The fund has been pressing Beijing on the issue for some time.

Convertibility on the current account involves transactions such as payments for trade, repatriation of profits, and payments and receipts for services such as shipping and insurance. The capital account comprises long-term capital flows such as investment.

Mr Xu said steps towards making the Chinese yuan a freely tradable currency internationally would be "related to the extent of control over the capital account". It would be one of the important questions for the forthcoming study.

Under the new regulations foreign-funded enterprises would be allowed to open accounts at authorised banks to buy and sell foreign exchange. The SAEC would place a ceiling on the amount that could be held in these special settlement accounts, but Mr Xu said the ceilings would be "reasonable."

China wanted to move towards current account convertibility "to create a good environment for foreign investors", Mr Xu said. This was a commitment made by Beijing at the Asia Pacific Economic Co-operation Forum summit in Osaka last year.

Steps towards convertibility had been "carefully and comprehensively studied".

China was confident that with foreign exchange reserves at record levels and inflation being brought under control the "time was ripe" to move to current account convertibility.

● China's problems with unpaid debts by state enterprises, including the so-called "triangular debt problem", appear more serious than previously acknowledged by the authorities.

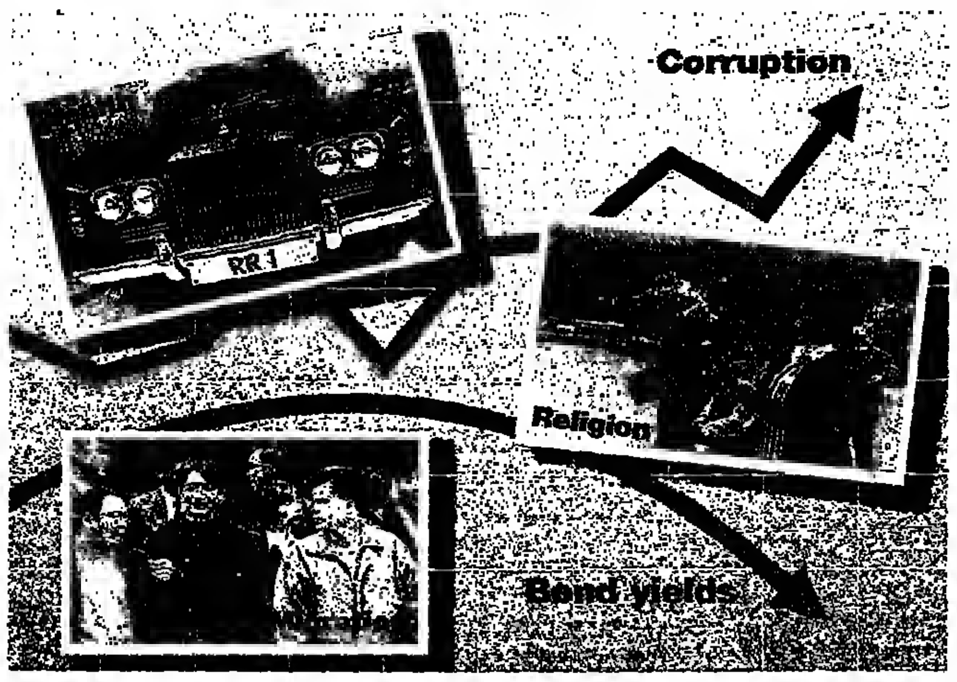
The official Business Weekly reported yesterday that total debts of industrial companies reached Yn805bn ($97bn) at the end of 1995. Of this amount Yn400bn would not be repaid.

The paper also gave details of a continuing build-up of inventories which, according to China's national accounts, are equivalent to 5 per cent of gross domestic product.

At the end of 1995 inventories had reached Yn489.8bn, Yn85bn higher than a year earlier. Business Weekly reported that 20 per cent of state companies' total inventories at the end of 1995 was unsaleable.

Barometers to measure HK's climate

Corruption and spending are among pointers to watch when China regains control



Optimists and doom merchants are divided over the extent of Hong Kong's transformation under its shift from capitalist to communist sovereignty a year from today. One way of tracking changes is to establish benchmarks. Ten pointers which could be checked in the years to come are:

● The lines on Mr Tony Kwok's corruption chart. Mr Kwok, head of operations at Hong Kong's Independent Commission Against Corruption, keeps a careful track of corruption reports. Last year there were 3,232, down 10 per cent on 1994. But there are fears of more graft after the handover and failure to pursue cases may lead to a reduction in reports. A useful barometer could be the number of prosecutions (443 in 1995).

● Expenditure on consumer durables, jewellery, and Rolls-Royces. Consumption is one of the motors of the Hong Kong economy, but as a measure of the impact of the change in sovereignty its usefulness is limited by other variables. The 1995 benchmarks are HK$22bn (US$2.8bn) on consumer durables, excluding cars, and HK$30.4bn on jewellery, watches and clocks. Rolls-Royces are not just feel-good items; they are British, and hence a pointer to any post-colonial reaction. Last year 61 were sold, after 83 in 1994. With a total of 1,400, Hong Kong tops the world league for Rolls-Royces per capita.

● The number of foreign banks. At present, Hong Kong is home to 154 foreign banks, underlining its position as the region's main international financial centre. They are drawn to the territory by business opportunities, good infrastructure, commercial transparency and the rule of law. Benchmarking would need to take account of consolidation in world banking and broader economic conditions. A rise would show satisfaction with the business environment and continued business opportunities. But a decrease, or a shift to other regional centres such as Singapore, would send a worrying signal.

● The whereabouts of Mr Martin Lee. Mr Lee, leader of the Democratic party, largest group in Hong Kong's elected Legislative Council, is at the centre of the storm over Beijing's plans to scrap the legislature. The issue is the biggest stumbling block to a smooth transition, prompting concerns that China is not prepared to let Hong Kong people run Hong Kong or to allow political opposition.

Few imagine that Mr Lee would be invited to take a seat on the provisional legislature promised by Beijing. But a measure of change will be whether he is still to be found active in political life, or whether he has emigrated, been jailed or harassed.

● The number of churches. The Joint Declaration and the Basic Law, the documents governing Hong Kong's handover, uphold freedom of religion. But there is concern about the heavy hand of Beijing since it advised the Lutherans to reconsider holding their world assembly in the territory after 1997. At present, according to the government's annual report, there are 783 Christian churches and chapels, 350 Buddhist and Taoist temples, four mosques, a Hindu temple, a Sikh temple and a Jewish synagogue.

● Emigration. The number of people leaving Hong Kong may provide the most immediate pointer to satisfaction with the post-1997 system. Last year, an estimated 43,000 people emigrated, down from about 62,000 in 1994. An important segment to watch will be those with higher education or degrees.

● The markets. Changes in confidence and prospects will quickly make themselves felt on the financial markets. Yields on two-year Hong Kong exchange fund notes which mature in 1998 are roughly the same as US Treasury bonds with the same maturity. For seven-year debt, Hong Kong paper trades about 80 basis points higher. A widening in the yield gap, given the currency link with the US dollar, would point to investor misgivings. A rupture of the peg would obviously reflect rather more serious concerns if it stemmed from capital flight.

● Foreigners and Hong Kong's international character. A common view is that Hong Kong will still be a good place to make money after 1997 but a worse place to live. At the beginning of this year, there were an estimated 415,000 foreigners in the territory.

● Company domiciles. Political uncertainty has encouraged Hong Kong companies to shift their legal base elsewhere. At present 329, or about 59 per cent of listed companies, are incorporated overseas, usually in Bermuda or the Caymans.

● Administration. Maintaining the quality and morale of the civil service will be a central element of the Hong Kong system. Benchmarks are complicated by broader economic factors, but one measure is the number of applicants and departures. Having peaked at almost 15,000 departures in 1991-92, the outflow totalled about 8,000 last year. Applications for administrative officers climbed from 8,200 in 1994 to 12,400 last year.

A key determinant of morale will be the presence of Mrs Anson Chan, the popular chief secretary, either in her present position or even as chief executive – the post-colonial governor.

John Ridding and Louise Lucas

Regrets in HK over closure of newspaper

By John Ridding in Hong Kong

The Eastern Express, one of Hong Kong's three English-language daily newspapers, is to close after two and a half years of publication.

The move, blamed on commercial difficulties, came at the weekend amid a boardroom reshuffle at the Oriental Press Group, which launched the newspaper.

Mr Ma Ching-kwan will be replaced as chairman by his brother, Mr Ma Ching-fat. Mr C.K. Ma will remain as an executive director of the company, which he has chaired for almost 10 years.

Oriental Press Group also signalled a truce in the Chinese-language newspaper price war. The price of the Oriental Daily News, one of Hong Kong's best-selling newspapers, is to rise HK$1 to HK$5 (65 US cents). It had been cut to HK$2 in a price war that claimed two casualties.

Analysts said the decision to close Eastern Express was little surprise after its struggle to win sales and advertising from the two established English-language newspapers, the South China Morning Post and the Hongkong Standard.

However, some politicians expressed expressed regret. "The more voices there are, the better," said one independent legislator, referring to fears of less press freedom after Hong Kong's return to Chinese sovereignty on July 1 next year.

The Eastern Express was launched amid claims it had been encouraged by the Hong Kong government following acquisition of the South China Morning Post by Mr Robert Kuok, a businessman with interests in China.

Vietnam's rulers concentrate power in new politburo committee

Old guard keeps hold of reins

By Jeremy Grant in Hanoi

As Vietnam's ruling Communist party prepared for the final session of its five-yearly congress today, its top official, general secretary Do Muoi, confirmed a policy of gradual economic reform and concentration of power into a new politburo committee with sweeping powers.

Intense back-room horse-trading was evident last night as the ruling troika – Mr Muoi, president Le Duc Anh and prime minister Vo Van Kiet – masterminded the membership of the politburo "standing committee," of which they are key members.

This new body concentrates considerable power in the hands of its five to seven members and is likely to contain a cocktail of reformist, conservative, military and regional personalities.

Under new party statutes approved by the congress, it prepares the agenda for the newly elected politburo under it and controls party finances.

By the time the congress ends today, the party central committee will have formally selected a 19-member, expanded politburo, introducing nine new faces to the body that makes all key decisions in Vietnam.

The top three apparently see the standing committee as a way to avoid a rapid transfer of power to a younger generation they do not yet fully trust.

Yet Mr Muoi, speaking to reporters yesterday in a garden adjoining the congress hall, stressed that the future lay with the younger generation. It had played a larger role in this congress than the previous one in 1991.

Asked whether he thought he was too old to carry on, he said: "This is what the people require. They make me work. How do I look to you? I am 80 years old, I am past the working age. But I think I am still young."

He also dispelled any notion of faster reform, plotting a steady course that ensured "efficiency" and "stability". "If development is too fast we will make mistakes. If you run too fast and there's something on the road, you will fall," he said.

Party cells would be formed in foreign-invested enterprises but he played down their role: "Don't be scared of party cells on foreign-invested companies. The most important thing is profit and efficiency," he said.

It has been a tough weekend for the party. The succession issue has dominated proceedings, marred by the sudden death two days ago of a politburo member-elect, whose successor was also to be decided last night.

The congress is the country's most important political event as its sets the seal on policy for the next five years, enshrined in a report that has taken months to hammer out.

Yet the intricacies of policy and personality are of little interest to the average Vietnamese. Party membership is only 2.2m in a 74m population.

Bhutto feud with judges worsens

By Farhan Bokhari in Islamabad

A feud between the government of Ms Benazir Bhutto, Pakistan's prime minister, and the country's judiciary intensified at the weekend when Ms Bhutto alleged that an unnamed group was trying to use higher courts to remove her government.

Her pointed statement added to anxiety in official circles and fuelled concerns over the political consequences of months of strained relations between the government and the highest courts. Last Wednesday, in an important judgment, the Pakistani Supreme Court restored local municipal authorities in the province of Punjab, which were disbanded in 1993 before completion of their tenure.

The municipal bodies were again disbanded on Thursday, just a day after the court's judgment. The provincial ruling coalition in the Punjab which is backed by Ms Bhutto's government, passed a bill in the local assembly, overturning the court's decision.

In a landmark decision earlier this year, the Supreme Court curbed the freedom of the government to appoint judges to higher courts, and ruled that appointments must be made in consultation with chief justices of the Supreme and high courts. Ms Bhutto and many of her supporters have criticised the decision.

● Voting in the province of Kashmir began yesterday following an election campaign marred by violence and a call for a boycott. More than 1.6m Kashmiris were registered to vote.

A week ago, political activists from the provincial opposition People's party shot dead seven rivals from the ruling Moslem Conference.

Stock Exchange to announce 350 job losses

By Krishna Guha in London

The London Stock Exchange will today announce about 350 job losses as part of a fundamental strategy review aiming to cut costs by a third and cope with increasing international competition.

The exchange will suffer a fall in income with the introduction of Crest, the paperless trading system, which will cost it about £67m in lost fees for settlement services. It has also faced calls in recent months for radical reform following turmoil over proposals to introduce order-driven share dealing.

Today's review, led by strategy and finance director Ms Fields Wicker-Miurin and endorsed by the board last Thursday, is intended to stave off criticism by creating a leaner stock exchange, better able to compete for international listings with bourses in Frankfurt and Paris. The report will say that revenue will fall steadily as members switch to Crest, owned independently by 60 financial bodies, from July 15. However, income will eventually stabilise at about £130m ($200m) down from £196m last year.

Talisman, the old settlement system, will continue alongside Crest until April next year, but cease to be profitable around the end of 1996. To bring costs in line with lower income, the exchange plans to cut about 100 further jobs in addition to the 250 which will go when Talisman is replaced.

That will bring the total *number of staff down to about* 600 from 940 at present. This is the latest in a series of retrenchments, which have seen the number of staff fall from almost 2,000 in 1992.

The stock exchange conducted more than 500 interviews with members and customers in the course of the year-long review. It considered options from aggressive expansion to abolishing the exchange and concluded that it should focus on its core competences and cut costs to provide value for its members.

Expansion into new markets is believed to have been ruled out for the present, on the grounds that it would be too expensive, and the exchange would face tough competition from existing providers.

Benchmark comparisons against rival bourses, contained in the report, show that the London Stock Exchange generates about the same income per capita as New York.

This is less than Tokyo, but more than Nasdaq and the big European stock exchanges.

But the exchange hopes that lower costs will encourage foreign companies to list in London – reinforcing its position as the leading stock market within the European time zones.

Goldsmith aims to be Britain's answer to Perot

Politics is too serious to be left to politicians, the billionaire Referendum party leader tells supporters

By George Parker at Westminster

How seriously should Sir James Goldsmith and his Referendum party be taken? Last week in Newcastle upon Tyne, blue eyes blazing, the Anglo-French tycoon began to answer the question.

Delivering his maiden speech as founder and leader of the UK's newest political party, Sir James made clear he meant business, that the Referendum party would contest the coming British general election, and would relish the opportunity to eject the Conservatives from office.

Scanning the wide open spaces of City Hall – about 400 people had gathered in the 2,500-seat auditorium – he set out the party's lemming-like mission statement: secure a referendum on Britain's future in Europe, and then dissolve.

Until Thursday it was not entirely clear whether Sir James was bluffing, whether he might decide to pack up once his threats had succeeded in persuading Mr John Major, the prime minister, to take his party off down a more Eurosceptic road.

In Newcastle he made it clear that he is not going away. Not only is Sir James planning to fight the election, he even set out a post-election strategy, where Referendum party MPs would form a "national government" with MPs from other parties, during the eight-week passage of a Referendum bill.

This is the second thing that Thursday night told us about Sir James. His passionate anti-European Union rhetoric has struck a chord with the public and he is capable of persuading sensible people to think his party might actually win seats at the next election.

Mr John Hanson, who owns a Bradford clothing company, said: "There is nobody around here with the power to do anything about the way Europe is developing – he has got the money, organisation and ability to do something about it."

The third important theme to emerge from his speech is that Sir James is intent on exploiting the national resentment felt towards politicians generally. He aims to be Britain's answer to Mr Ross Perot.

"I was a greengrocer and proud of it," he said. "What is more, I believe that greengrocers, along with other small businessmen, have a great deal more sense than politicians."

To the biggest cheer of the evening, he added: "Perhaps politics is too serious a matter to be left to politicians."

He was on home territory, speaking to a meeting organised by the Federation of Small Businesses in a city where he started to make his fortune as proprietor of Moore's Stores. But the anti-politics message could find a much wider audience in the country.

The Conservatives are certainly worried, with one internal estimate – subsequently rubbished by Central Office – putting the number of Tory seats at risk from the Goldsmith challenge at 20, if Referendum candidates cream off vital votes.

Publicly, the Conservatives are dismissive. "We don't think there is an appeal out there for a foreign billionaire standing on a single-issue platform," a Central Office official said yesterday.

There are still questions which remain unanswered after Sir James's debut in Newcastle. For example, just what is the underlying popular support for a party whose sole aim is to have a referendum on an issue – Europe – which hardly whets the public's political palate?

The Referendum party has promised not to contest any by-elections, so we shall have to rely on opinion polls to track its progress. And will Sir James be able to cope with real political pressure in the heat of an election campaign?

In Newcastle he spoke with conviction, and dealt with subsequent questions with ease, but he was surrounded by a friendly audience. One woman prefaced her question with the words: "It is a great honour to hear you speak Sir James. You are a wonderful man."

Under hostile questioning from Mr Jonathan Dimbleby in a television interview in April Sir James presented a snarling and short-tempered figure. Politicians know such displays of anger are voter-unfriendly.

Sir James has vowed to put £20m ($30.6m) into the campaign – 10 times more than the Liberal Democrats at the last election and in the same league as the Tories. Thirty staff are installed in offices near Westminster and prospective candidates are said to be ready.

With the rival UK Independence party promising to field about 600 candidates at the election and pledged to pull Britain out of the EU, voters will not be short of outlets for anti-European sentiment.

As Labour chisels away at soft Tory voters on the left, the Conservatives can ill afford to lose voters on the hard right. The Tories at least are taking Sir James seriously.

Sir James Goldsmith seeking support: "I believe that small businessmen have a great deal more sense than politicians"

War techniques may aid traders in City of London

By George Graham, Banking Correspondent

Financial market traders often feel that they work in the equivalent of a war zone. Now Ministry of Defence scientists are teaming up with the BZW investment bank and the London Stock Exchange to try to adapt some of the virtual reality displays and computer models they have developed for the battlefield to be used in bank trading rooms.

The Financial Laboratory Club, led by the ministry's Defence Evaluation and Research Agency (Dera), has won a government grant for up to £750,000 ($1.15bn) to develop risk management techniques for markets such as foreign exchange, equities and derivatives.

"The Financial Laboratory is combining technology developed for defence with leading edge financial risk management techniques," said Mr Michael Mainelli, corporate development director for Dera, who believes that war zones and capital markets can often display great similarities. Mr Martin Dooney, head of global money markets at BZW, said the club would explore the development of new visual displays to simplify the vast amount of numbers that traders and risk managers must absorb from their dealing screens.

"One of the problems we have in the trading room is that not everybody is sufficiently gifted to be able to interpret reams of data in tabular form," he said.

Using a Cray T3D supercomputer, Dera hopes to build on its experience in areas such as battlefield threat avoidance models, which help the military to react to enemy movements. By moving into three dimensions, such models could display large numbers of complex financial variables at the same time.

The Financial Laboratory includes Sun Alliance, Silicon Graphics, City University Business School, the Worshipful Company of Information Technologists and the risk management consultancy Z/Yen.

Phone links boost cable revenues

By Raymond Snoddy in London

The cable industry will announce today that it is earning revenues at the rate of £1bn ($1.53bn) a year. It believes that this year it will overtake the revenues of British Sky Broadcasting, the satellite broadcasting company in which Mr Rupert Murdoch's media empire has a big stake.

The claim that it is about to overtake BSkyB is based on estimates that the satellite company's revenues will total £950m this year, although BSkyB could easily exceed forecasts. The biggest boost to cable, the Cable Television Communications Association will say, is coming from cable telecommunications services operated in competition with British Telecommunications, the former state utility.

Telephone revenues now total more than 50 per cent of cable revenues, and new lines are being installed at the rate of 61,000 a month. The present total of 1.5m is expected to reach 2m by the end of the year. But that will still amount to less than 10 per cent of the total number of telephone homes in the UK.

BT has been stung by the gradual erosion of its base. It has set up a controversial "Winback" team to try to persuade customers lost to cable to return to BT.

Last week the Winback team were accused of calling ex-directory cable numbers as part of their campaign. Oftel, the telephone regulatory body launched an investigation after it received complaints involving 46 customers.

"They fall within several cable companies' franchise areas and across a number of regions," Oftel said at the weekend. "The activity therefore appears to be national in scope." BT is seeking details of the incidents, including how the numbers were obtained and how they were used. BT is due to report its findings to Oftel today.

The Cable Communications Association says that 10m homes will be capable of receiving cable telephone services by the end of 1997.

In some areas cable companies claim to offer telephone services costing an average of 25 per cent less than BT's standard charges. Because of the number of special BT offers, the actual differential is smaller.

Overall, 30.6 per cent of homes in cable areas subscribe to at least one cable service.

AT&T steps up competition today

By Alan Cane in London

Competition for the business of Britain's high spending residential telephone users intensifies today with a rash of price cuts from established operators and the first move in the UK residential market by AT&T of the US.

The new prices will cut the costs of some international calls by up to 40 per cent, but selecting the best value from the services available may prove a source of confusion for some customers.

AT&T, the biggest US operator, will announce a calling service for residential customers which, it syas, will offer savings on long-distance and international calls of between 10 per cent and 40 per cent on British Telecommunication's basic rates.

Customers who sign up to the service will be able to dial a three-figure code for access to AT&T's global network. It is the first in a series of services AT&T plans for the UK residential market. The company already offers a range of services to business customers.

Mercury Communications, the second biggest UK operator, plans to reward subscribers to its residential service with "free minutes", ranging from 15 minutes to two hours depending on the amount they spend each month. It has also cut its economy call prices to all international destinations. Savings of up to 32 per cent on BT basic rates are possible, Mercury says. The new prices represent a significant change of approach for Mercury, which has traditionally concentrated on the business market.

Bell Cablemedia, one of the leading UK cable operators, is cutting its prices for all residential telephone calls by amounts which should give savings of 25 per cent on BT's basic rates.

UK NEWS DIGEST

Anti-terrorism measures urged

The British government will this month call on fellow members of the G7 group of rich nations to adopt a package of measures to fight terrorism. In the wake of Friday's bombing of the British Army barracks at Osnabruck, Germany, which followed the bomb that killed 19 US servicemen in Saudi Arabia, ministers believe there is "an impetus ... to improve our international arrangements".

Mr Michael Howard, home secretary, said yesterday he was preparing proposals to improve co-operation on extradition, to exclude from refugee status anyone associated with terrorism and to build intelligence on terrorists. "The British government will be putting forward a series of proposals there for making extradition more effective between countries, for excluding from consideration for refugee status those who plan, incite or finance terrorism, and for improving the arrangements under which different countries can learn from each other," Mr Howard told BBC Television.

The bombing on Friday – the first IRA action in mainland Europe for six years – was also savaged by Mr John Bruton, the Irish prime minister, for being "utterly pointless and self-defeating". "You will never unite people in any way by fighting, or by promoting fighting," he said. "That's something a six-year-old child understands, but unfortunately, the people who are pursuing this tactic don't understand." Neither the Irish government nor the UK government would be intimidated by the bombings, Mr Bruton said, arguing that the continued terrorist campaign was undermining good will towards the republican cause. *James Harding, Westminster*

N Ireland march barred

Police yesterday prevented an Orange Order parade going through a nationalist district in Belfast, the capital of Northern Ireland. Police Land Rovers blocked the Ormeau Road bridge where a religious service was held to mark the 80th anniversary of the Battle of the Somme. Members of the fiercely Protestant order wanted to parade to the city centre, but security chiefs feared violence if the small gathering was allowed to cross the bridge into a Roman Catholic area. More parades are planned before the main Orange celebrations on July 12. *PA News*

Spending rise foreseen

Pre-election interest rate cuts by Mr Kenneth Clarke, the chancellor of the exchequer, will trigger the biggest rise in consumer spending for almost a decade, a group of economists says today. Forecasts by the Ernst and Young Item Club, which uses the Treasury's model of the economy, says consumer spending will increase by 4 per cent in 1997, up from 2.7 per cent this year. The driving forces will be pre-election tax cuts of 2 percentage points and modestly rising house prices.

But the economists warn that interest rates may have to rise to 7 per cent late next year to stop inflation rising above 4 per cent in 1999. They also say public borrowing may remain high enough to prompt tax increases in 1998 or 1999. They argue that the economic requirements of entry into the European Monetary Union in 1999 would force taxes to rise by the equivalent of 4 pence in the pound on the basic rate of income tax. That in turn would lead to weaker growth over the next three years than in the group's main forecast. *Daniel Green, London*

Plea on beer duty

A 20 per cent cut in beer duty would more than pay for itself through increased economic activity and other tax revenues, brewers and pub owners have told the Treasury in a pre-Budget submission. Using the Treasury's economic model, consultants to the Brewers and Licensed Retailers Association showed that a net increase in tax revenues would occur the year after a duty cut.

The exercise assumed that lower duty would increase beer consumption by only 2 per cent, but that other economic benefits would flow, ranging from a reduction in the drinks component of the retail price index to increased VAT receipts. "The pub is a remarkably efficient generator of tax revenues with only one-fifth of its contribution to the Exchequer coming from beer duty," the BLRA said.

Duty is currently 31p a pint on 5 per cent alcohol beers such as premium lagers. With the French equivalent at only 4.5p, the flow of duty-paid imports is rising. It already accounted for about 4 per cent of the UK beer market, the BLRA said. The only way to stem imports was to cut UK duty in stages of say 20 per cent, allowing overall tax revenues to recover between each cut, it added. *Roderick Oram, Consumer Industries Editor*

Row on defence funds grows

Disarray over the proposed sale of Ministry of Defence married quarters was underlined as ministers gave conflicting accounts of what would be done with the proceeds of the privatisation. Mr James Arbuthnot, a defence minister, said the estimated £1.6bn ($2.4bn) generated by the controversial sale would not be used to fund tax cuts. His comments seemed at odds with the warning made last week by Mr Michael Portillo, the defence secretary, that backbench opposition to the sale could scupper the possibility of election-winning tax cuts in the autumn.

The sale of homes used by military personnel last week prompted a protest by 50 MPs, most of them in the governing Conservative party. The issue will gather even greater urgency this week as the cabinet meets to set the level for public spending for 1997-98. *James Harding*

THIS WEEK

Blight of media is author manqué

DATELINE

Washington DC: Books, rather than newspapers, now examine in detail the great American policy issues of the day, writes **Jurek Martin**

Two or three times a week the beleaguered burghers of the nation's capital have reason to thank Tony Kornheiser. Contemplating awful days when potholes swallow buses, tornadoes terrorise the suburbs and Newt Gingrich starts giving interviews again, tha Washington Post's resident wit can cut through the morning gloom like the high cholesterol truckstop breakfast of beloved but distant memory.

Mostly he writes on the sports pages, where his dissertations on synchronised swimming and rhythmic gymnastics are alone worth the price of the paper, still 25 cents, by the way, and in a Murdoch-less virtual monopoly city. But on Sundays he gets to let his fertile imagination roam free in what is oddly called the Style section – odd because Washington style (usually defined as two lobbyists wolfing down T-bone steaks with designer water and calling it high living) is the ultimate contradiction in terms.

Last Sunday saw Kornheiser at his impertinent best. Anybody who managed risk permanent back damage and to lug the weekend tome up the front steps found a front page above the fold and many more inches inside entirely consumed by extracts from and reporting on Bob Woodward's new book.

For those living on Mars or reading the Financial Times, the ex-Watergate reporting sleuth breathlessly disclosed that Hillary Clinton had taken to consulting New Age gurus who had her chatting about this and that to the likes of Eleanor Roosevelt and Mahatma Gandhi, difficult for ordinary peopla because both happen to be dead.

He also revealed that Liddy Dole, wife of Bob, makes appointments to see her husband, which should do wonders for the probable Republican presidential candidate as ha chases the angry white mala voter.

Still, Bob Woodward is a big local icon. Not to talk to him as he does his research is considered lèse-majesté, which explains why Colin Powell unburdened himself for an earlier book on the Gulf War and is now the un-crowned king of American politics, with a speaking fee worth $80,000 (£52,287) a pop. Tony Kornheiser, though, dared to begin his Sunday column by tweaking the great man.

"As you can see from today's front page, Bob Woodward, the Michael Jordan of American journalism, has another book out. Like Mike, this guy operates on a whole different level from the rest of us. His last book, The Agenda, delivered a detailed autopsy of the Clinton administration, based on hundreds of sources and thousands of documents – and reached America's bookstores roughly an hour after the inauguration. This time he has created the first ever history of a presidential campaign BEFORE THE CANDIDATES HAVE EVEN BEEN NOMINATED."

Kornheiser admitted to "an occasional fantasy" about being Woodward. "He is the best-selling nonfiction writer since Moses. He uses hundred-dollar bills for coasters. He has more people waiting to confess to him than the Pope. Redford played him in the movies (I'd probably get Newman. No, not Paul Newman – Newman the fat schlub on Seinfeld)."

Apart from assuring himself of an interesting future career covering goldfish racing in Dubuque, Iowa, Kornheiser makes, by implication, a fair point. It is not enough any more for reporters merely to write for their publications. To make the grade, they must put it all down in hard cover, which may explain why newspapers have so many advertisements for department store lingerie or are filled with fascinating articles on the problems of citrus growers in Japan.

This is very true of political reporters and particularly the case with journalists on the Washington Post. It is hard to count the number of illustrious Post-men with books out this spring (Broder, Johnson, Dionne, Maraniss, now Woodward, and probably many more besides) each examining in minute detail the great policy issues of the moment. It may be a legitimate defence for the muckety-mucks in the White House to claim they did not know the grunts were improperly asking for FBI files if most of their working days and nights were filled with interviews for somebody's book.

This is not to say the books are not good or worthy or anything else. Washington is, after all, a one industry town with a product capable of denuding several Canadian forests (memo to Mayor Marion Barry; remaindered books might come in useful for pothole-filling). But the capacity of even the greatest devotee of politics to read them all is now severely strained. Exceptions, of course, will always be made for colleagues and close personal friends, two of whom have good ones in the wings.

But the little suspicion persists that those who fork out their 25 cents a day might be getting a little short-changed. That is exactly the complaint heard around the country from those who keep saying the meejah never covers the real issues. Well, they do, but at $25 a copy.

America's best political reporter, who shall remain nameless, has only written one book many years ago and it was all about his true avocation – eating. In Washington, we merely hope Tony Kornheiser sticks to his newspaper last.

PEOPLE

Bradman revisited

The property developer is back, writes **Simon London**

While most business people have a single personal assistant, Godfrey Bradman employs five. Business partners are resigned to receiving calls or faxes from his night secretary or weekend secretary.

This extensive support team is required partly because the property developer commits every aspect of every deal to paper, and partly because he has a prodigious capacity for work.

The collapse four years ago of Rosehaugh, the company he chaired, has done nothing to dampen Bradman's appetite for deal-making.

Rosehaugh was behind many of the biggest property development projects of the 1980s, including Broadgate, the largest City of London building scheme since the Great Fire in 1666.

Although Bradman no longer has the backing of a large public company – at its peak in the late 1980s Rosehaugh had a market value of more than £700m – he is again operating on a grand scale.

While few of his recent schemes have involved the commitment of large sums of money up-front, the financial establishment appears more than willing to provide backing. After all, Rosehaugh was just one of many casualties in the biggest commercial property crash since the second world war.

Since Rosehaugh's demise in 1992, Bradman has assembled land for a large business park outside Berlin, built a new headquarters for the Scottish Office in Edinburgh, and played a central role in assembling land at White City for what promises to be London's largest new shopping centre in 20 years.

He is also one of two shortlisted bidders for a £200m contract to redevelop the Treasury headquarters in Whitehall under the private finance initiative. The other bidder is Mr Stuart Lipton, Bradman's former development partner.

For most property developers the Treasury project alone would be a handful. But Bradman is hunting for further opportunities.

At Paddington, for example, he is negotiating to buy a part of a site which could eventually accommodate central London's largest mixed use development, comprising housing, shops and leisure facilities as well as offices.

Godfrey Bradman first came into the public eye in 1974, when he offered to underwrite a pay increase for striking miners in an effort to get them back to work. The initiative catapulted the then unknown 37-year-old tax accountant into the limelight.

The Daily Mail described him at the time as "a go-getting banker with a chauffeur-driven maroon Rolls Royce and a sumptuous office". The Sunday Telegraph discovered that he was a director of 120 companies including Swordfish Investments and Kopfree Dealing.

While the miners' union rejected Bradman's offer, the episode demonstrated his rare gift for generating publicity – good and bad. He has used this to good effect by backing causes ranging from the campaign for lead-free petrol (which was ultimately successful) to the anti-abortion movement. Another high-profile intervention involved backing patients claiming compensation for side effects caused by Opren, the anti-arthritis drug.

The son of an east-end shopkeeper, Bradman left school at 15, gained his "O" levels by correspondence course and qualified as an accountant.

In the late 1960s and early 1970s – an era of penal taxation – he amassed a fortune by creating intricate tax planning schemes for wealthy individuals and companies. One famous scheme involved an attempt to shelter from tax the entire annual profits of George Wimpey, the construction company.

The tax-avoidance industry lost its allure in the late 1970s when the government introduced legislation allowing tax loopholes to be closed retrospectively. By that time, however, Bradman had already started to accumulate interests in commercial property.

In 1978, he effectively reversed his property interests into Rosehaugh, a small tea-trading company which was listed on the stock exchange. Initially Rosehaugh was little more than a property trader. Its first big development was hatched at the end of 1980, when it acquired two old office buildings in Wilson Street, on the northern fringes of the city. This was the genesis of the Finsbury Avenue development, which is now occupied by SBC Warburg, the investment bank, and was the forerunner of Broadgate.

The Finsbury Avenue scheme was significant in two respects. It marked the first partnership between Bradman's financial skills and Stuart Lipton's development flair. For the next decade this double-act was the most influential force in the UK property market.

Second, the project demonstrated to Bradman the huge returns which could be achieved by assembling complex sites for large developments in locations which traditional property investors regarded as beyond the pale. This same intuition has been behind later projects ranging from Broadgate to White City and Paddington.

The White City project demonstrates both the strengths and weaknesses of Bradman's business style. The 37-acre-site lies only three miles from Marble Arch and is well served by road and rail. But ownership was split between BICC, the cables and construction group, Railtrack, the privatised rail company, a London Underground shunting yard and the Vanderbilt Racquet Club.

Bradman was convinced that the site could accommodate a large shopping and leisure centre. He convinced London Underground and Hammersmith & Fulham Council, the local authority, to back his proposal.

But negotiations with BICC and Railtrack, which favoured a less ambitious scheme, became acrimonious. All sides admit that there were "personality clashes". The deadlock was resolved earlier this year by Mr Elliott Bernerd, chairman of Chelsfield, the quoted property company, and a noted property market fixer.

Godfrey Bradman: displays a prodigious capacity for work

While Bradman retains an interest in the scheme – and will probably profit handsomely from his involvement – Chelsfield has now taken the lead role.

The episode has cemented Bradman's reputation as brilliant and difficult by turns. While the property market respects his money-making ability, Bradman is regarded as something of an outsider.

One reason is that Bradman is a shy man, despite his support for high profile causes. He does not fit easily into the atmosphere of bluff bonhomie which pervades most property industry functions. His minute attention to detail and detailed record keeping, perhaps the result of formative years in tax, are also viewed with incomprehension.

But four years after the collapse of Rosehaugh there is no doubt that Godfrey Bradman is back in business on a scale almost as ambitious as in the 1980s. Whatever the mainstream property market makes of his negotiating style, they will have to get used once again to dealing with him.

NAMES IN THE NEWS

Disney's new board member may be a blessing

Coming days after be described as "foolish" the Southern Baptists' call for a sect-wide boycott of Disney prodncts, Walt Disney chairman Michael Eisner's appointment of a leading Jesuit to the group board was guaranteed to make noses twitch, *writes Christopher Parkes.*

The company, self-appointed keeper of US family valnes, has been through a bad patch lately – which raised the question of whether trying to keep up with modern tastes put it in danger of discarding its founder's prim endowment. *Priest*, a film about a gay Catholic clergyman, caused rustlings in the vestry. *Kids*, a shocker on teenage behaviour, raised eyebrows everywhere. And the disclosure that the director of another Disney group offering was a convicted child molester brought the finger-pointers out in force.

The latest outcry followed Disney's decision to extend health benefits to gay employees' partners, which prompted the boycott call by the Southern Baptists, the largest protestant group in the US.

The appointment of Leo O'Donovan to the board looked as though it was a response to the protests. But O'Donovan, president of Georgeton University, is better known for the canny business sense he applies to running the world's largest school of international relations than for pulpit-thumping.

The least O'Donovan will bring to Disney's non-executive board is a little more balance. Although education and Latino interests are represented, the majority lies with company executives and essential allies such The Irvine Company, the biggest developer in Orange County, home to the Magic Kingdom's sprawling theme park and sports complex interests.

Auer among hopefuls for top Olivetti PC job

Last week's ructions in the Olivetti boardroom are bound to have an impact on the Italian company's troublesome personal computer subsidiary, *writes Andrew Hill.* Corrado Passera, who is poised to step down as the group's chief executive, was also the man appointed to turn round the PC business when it was formed into a separate company in January and had just started to end the operation's losses.

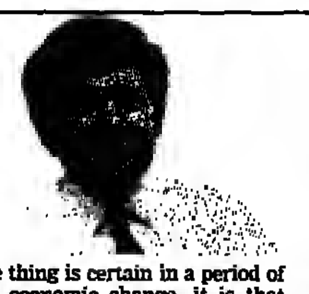
Luckily for Olivetti, there is an obvious candidate to step into his shoes as chairman and chief executive of the PC company.

Bernhard Aner, the 55-year-old German who took over as sales and marketing chief of the division when he joined Olivetti from Digital Equipment last October, is well-placed to restore Olivetti's positinn in PCs. He worked for IBM for 23 years in the US company's German and European marketing and distribntion departments, and was a senior European executive with Compaq for three years before joining Digital in 1993.

Auer's first task at Olivetti was to rationalise the sales and marketing network, contracting out distribution to third parties. The company has also closed one factory in Singapore and brought PC assemhly under one roof at Scarmagno, near the group's Ivrea headquarters north of Turin.

Auer has not yet been named to take over from Passera, but be will be well aware that the top job at the PC company is one of the hottest seats at Olivetti. Financial analysts have focused nn the PC business as the root of Olivetti's wider problems, which have seen the group report a net loss for the last five years.

Carlo De Benedetti, the group chairman and chief executive, has played down the PC subsidiary's impact on the group figures, and is trying to accelerate moves towards the telecoms sector.



Peter Norman · Economics Notebook

Universities defy the waves

Germany is not acting on President Herzog's "long cycle" warnings

If one thing is certain in a period of rapid economic change, it is that long established relationships become weaker and can decouple.

Only last week, the German chambers of industry and commerce warned that the relatively strong 5.5 per cent increase in exports that they were forecasting for this year might not translate into faster economic growth.

Similar concerns have been expressed in Germany that its relatively high research and development spending may no longer be yielding adequate dividends in terms of economic growth and increased welfare.

As the illustration shows, the latest available figures gathered by the Bonn science ministry place Germany in a respectable fifth position among the European Union and Group of Seven nations in terms of domestic spending on R&D as a percentage of national output. And yet, according to the latest Economic Outlook from the Paris-based Organisation for Economic Co-operation and Development, Germany can expect real growth of only 0.5 per cent this year, the lowest of the countries surveyed.

Germany's present economic problems have many causes, some of which the government is trying to correct through its controversial programme of supply side reforms, spending cuts and welfare restructuring. But the economy's lack of dynamism has led to a critical examination of Germany's strengths and weaknesses in the field of science and R&D.

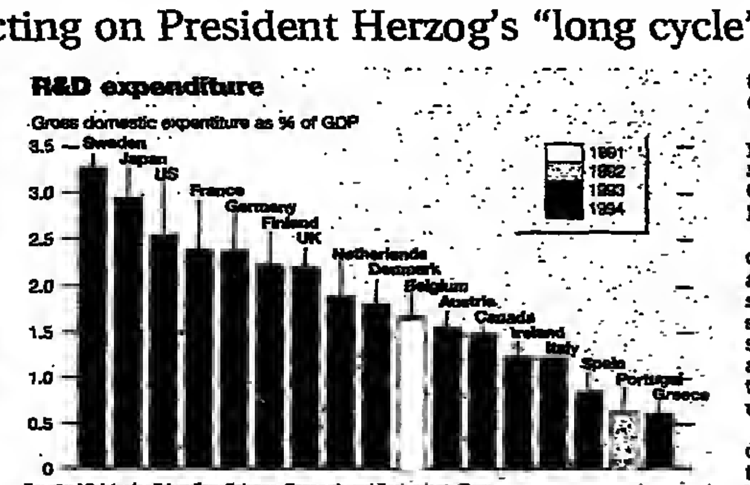
Mr Herzog, who became president exactly two years ago, is turning out to be a rare national asset. He exercises to the full those rights which Walter Bagehot, the 19th century journalist and commentator, recommended for a constitutional monarch, namely: "the right to be consulted, the right to encourage, the right to warn". Herzog has a talent for telling his fellow citizens unpleasant truths.

At a recent dinner hosted by the German federation of industry (BDI), he raised the unappetising prospect that Germany might miss out on a forthcoming "long cycle" of strong economic growth based on information technology.

Drawing on the theories of Nikolai Kondratieff, the Soviet economist who first propounded the idea of long 50-year "waves" of economic expansion and contraction in the 1920s, Herzog pointed out that Germany had missed out on the first such wave based on the invention of the steam engine in the 18th century. But it had been a technological pioneer in the second, third and fourth waves that followed and had benefited fully from the associated welfare gains.

The second wave was the 19th century railway age, which also saw rapid growth of the metal working, textile and construction sectors. The third wave, early in this century, saw progress based on electricity, telegraphy, the telephone and the first generation of automobiles. The fourth, after depression and war, saw rapid economic development based on oil, the aerospace industry, pharmaceuticals and television.

Herzog argued that the US appeared now to be entering the boom phase of the fifth long wave based on information technology. How far, he asked, would Germany participate in this?



Source: Ministry for Education, Science, Research and Technology, Bonn

The president has reason for concern. The Deutsche Forschungsgemeinschaft, the central body promoting German research, reported last week that industry has cut its R&D personnel by 38,000 in the past four years.

A recent Bundesbank report found Germany's deficit from cross border trade in technological services has grown sharply to about DM4bn (£1.7bn) a year from less than DM767m in 1986, the first year that statistics were collected.

Such a trend, covering payments for patents, licenses and work on research and development, engineering and data processing, is not in itself a sign of tronble. The report found that Japan was also a substantial net importer of patents. But, when the Bundesbank's findings are combined with those of a separate report from the Ifo institute of Munich, it looks as if Germany may be losing its technological edge.

Ifo's analysis of international patent applications concluded that too many German inventions are in sectors with only modest growth prospects. Taking the period from 1982 to 1992, Ifo found the fastest growing areas for R&D at world level were in information technology, genetics and microelectronics with Germany lagging behind in all three sectors. Yet German patent applications relating to the motor vehicle industry increased while the worldwide trend was stagnant. Patent applications in mechanical engineering declined worldwide during the period, but the decline was less marked in Germany than elsewhere.

These trends, in Ifo's view, amounted to a deterioration in Germany's "technological portfolio". Although some, mainly small to medium-sized, companies had developed effective "niche" strategies to keep ahead of the competition, these did little to help keep Germany ahead internationally.

Lack of money is not Germany's problem although the country has slipped down the combined EU and G7 ranking of R&D expenditure from third position in 1989.

Attention is focussing on the deficiencies of higher education and the crisis in Germany's universities. Seminars crowded with 600 students, inadequate laboratory space, and a reluctance to teach among professors who have lifetime tenure are facts of German university life.

The consequences include high drop ont rates among students and the average seven-year period between starting a course and collecting a first degree.

President Herzog's reaction has been to call for "mental innovation". In his view, Germany's ability to participate in the second, third and fourth "long waves" of growth was a result of far reaching educational reforms introduced in the early 19th century by Wilhelm von Humboldt, the education minister of Prussia. Herzog says Germany needs a new Humboldt if it is to turn its brain power into new products and economic growth.

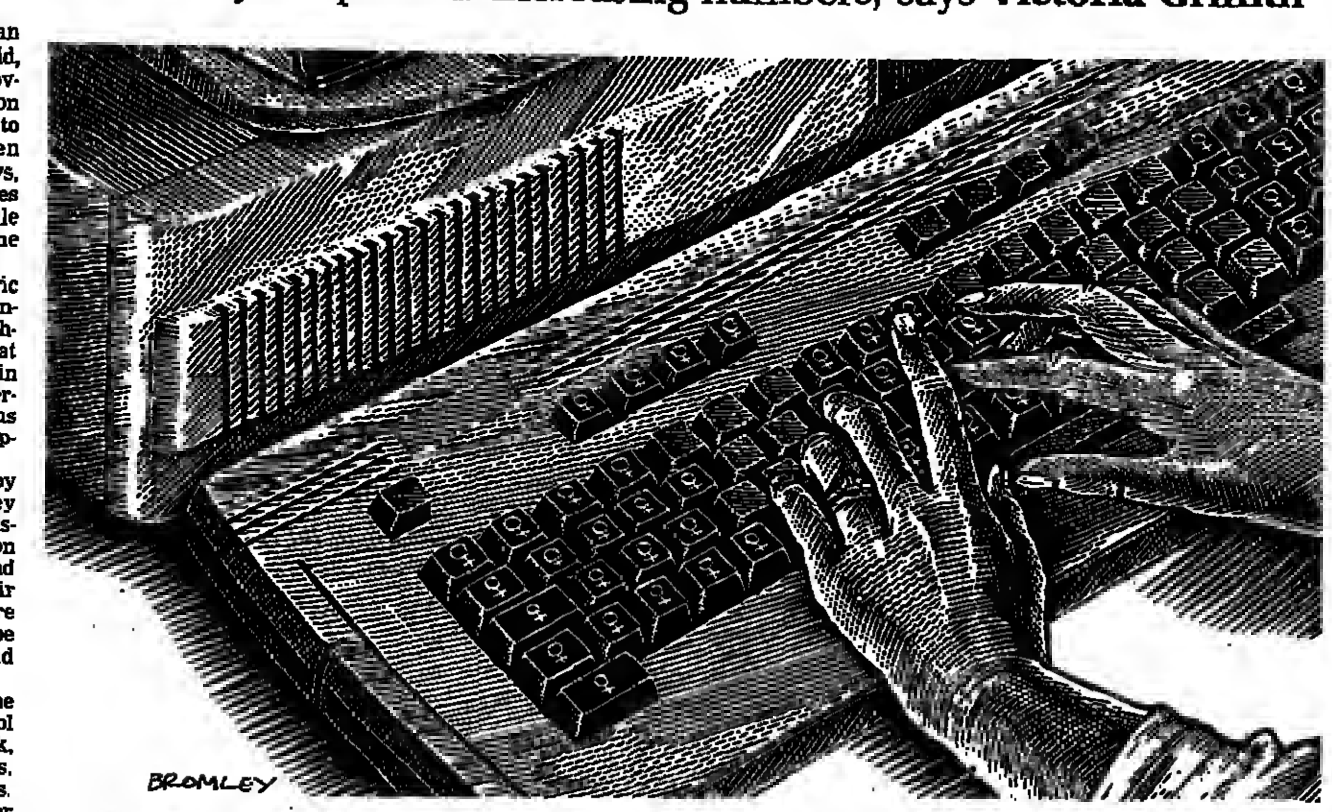
We have only to consider the role that education has played in the rapid growth of countries such as South Korea and Singapore to see the merits of Herzog's analysis for Germany and for other mature industrialised countries.

But Germany also shows how difficult it is to implement such ideas. Despite widespread recognition of the problem, there is no fundamental reform of universities in the Bonn government's present programme for jobs and growth.

MEDIA FUTURES

Gender lines lead to a gold mine

Women are floating into cyberspace in increasing numbers, says **Victoria Griffith**



According to American comedian Jerry Seinfeld, the sexual divide governing the use of television remote controls dates back to prehistoric times. "Women nest and men hunt," he says, trying to explain why males love to "channel surf" while females tend to stick to one programme.

While the link to prehistoric behaviour has not been scientifically established, researchers say there is evidence that men and women use media in different ways. Thosa differences may have enormous implications for the development of cyberspace.

A recent study sponsored by the consultancy The Kelsey Group showed that females display more loyalty to sites on the Internet, for instance, and spend more time at their favourite locations. They are also less likely than men to be impressed by gimmicks and fancy graphics.

"Men like to surf around the virtual world in search of cool stuff," said Rosalind Resnick, one of the study's authors. "They are looking for toys. Women are after tools – either a true sense of community from a chat room or online social club, or ways to make their lives more efficient."

The study also found that women are particularly intolerant of aggressive cyberspace behaviour such as "flaming" – sending insulting e-mail to members of a chat line – and are far less fascinated than men by the technological underpinnings of the Net.

Women are floating into cyberspace in increasing numbers. A year ago, most studies estimated that only 15 per cent of Net users were women. Today, surveys place the figure at closer to 40 per cent. "When this first started, it was something guys created for guys," said Paul Sagan, president and editor of new media at Time-Warner. "Now, the digital world is starting to look more like the analogue world."

Information and chat lines focusing on women's issues – from fashion to breast cancer – are quickly multiplying on the infobahn, and companies are beginning to target women by means of specially-created sites.

Marketing groups sense that female users constitute a gold mine. Women ara widely believed to make most consumer decisions in the US. According to the American Mass Retail Association, 75 per cent of primary shoppers – for everything from groceries to durable goods – are women.

Yet a study sponsored by Apple Computer last year revealed the gap between cyberspace and other media in the extent to which they attract women. While 85 per cent of the buyers on Home Shopping Club TV are female, tha study found, 90 per cent of online shoppers are men.

Many believe those statistics will change quickly as companies become increasingly savvy at wooing female cybersurfers. Several sites already aim at this market. There are now Web venues for traditionally feminine products like Clinique make-up and L'eggs tights, and Toyota has set up a special corner for women's issues on its site.

Aliza Sherman has even built a consulting business around helping women find their way in cyberspace. She runs a site called Cybergrrl featuring a cartoon character in superwoman dress with the letters CG on her breast. The infobahn heroine has a sister, Web Woman. "Cybergrrl helps you find cool things," said Sherman. "Web Woman links you to other women's personal sites around tha world."

Sherman also runs a search mechanism called Femina to take users to Web locations focusing on women's issues. "It used to be that you could count them on one hand," said Sherman. "But now, there's a lot out there for women, and Femina will help people find them." Sherman plans to launch a digital cartoon series soon on the adventures of Cybergrrl and Web Woman, and is currently advising companies on how to set up women-oriented sites.

Although cyberspace is noticeably more feminine than only a year ago, many observers believe companies are still not good at targeting women. "You can tell that a lot of these sites are put out by men," said Marcia Stoltman, vice president of Editor and Publisher, which produces a publishing industry newsletter. "There's too much in the way of cute graphics and not enough in the way of real value."

The Apple study offered some advice to marketers. Suggestions included:

● Save women time and money. Women are more likely to shop online if they see substantial savings or added convenience.

● Make sites easy to navigate. Because women do not spend as much time surfing, sites should be easy to find and get around.

● Create a safe environment. Women are unlikely to spend time in an area prone to "flame wars" or other aggressiva behaviour.

● Consider offering free e-mail or chat rooms. One of the main reasons women go online is to communicate.

Cybergrrl's Sherman also advises companies to be patient when building sites for women. "It will take a while to hook them, so don't try to make a big impact right away," she said. "Companies should cultivate on a grass roots level, spending a little at a time to build it up gradually. If you go all out at the beginning with whistles and bells you'll be wasting your money."

While many observers strongly believe the gender lines in cyberspace are clearly marked, others feel the differences are exaggerated. "I think men and women are basically looking for the same thing," said Hunter Madson, vice president of communications strategy for *Hotwired*, the computer version of *Wired* magazine. "Making sites easy to navigate, helping users save time and money . . . those are things companies should do to attract men *and* women."

The debate on how big the gap is between women and men in cyberspace will continue for some time. A growing number of companies, however, seem to believe a change in strategy is in order to reach feminine cybersurfers. Because of their new focus, the Net and online services are likely to take on an increasingly pinkish hue.

Tim Jackson

No escape from voice-mail jail

Consultant Mark Anderson, based in Washington state, publishes one of the Internet's most valuable electronic newsletters. He pointed out something interesting in an essay that he circulated to subscribers this week: the fact that the world's telephones outnumber its computers by a factor of at least five.

Anderson believes this offers an exciting market opportunity. While Microsoft and Netscape fight it out for control of the browser standard that will dominate the Net, the far larger market for telephone-based computing remains free from domination by any single software provider – and new products are suddenly making telephone-based computing a reality. The latest is software that can take incoming e-mail messages and read them to you over the phone. With most of the inhabitants of developing countries still too poor to pay $1,500 (£980.30) for a PC, Anderson believes, the humble phone could "compete with, and exceed, personal computers as a platform for applications."

He starts from the view that communication, rather than data processing, is the "killer application" that today makes people want to use technology. Anderson admits that the phone will not be able to do everything that the PC can. "But look at the use you make of PCs today, each day, and ask what percent of this use is communications-based versus local data input or screen output," he says.

He is right that as more compnter functions become available to phone users, a significant and perhaps so far neglected market is likely to emerge.

But Anderson is quite wrong to believe that the phone is yet a seriously competing platform to the PC.

There will undoubtedly be hundreds of millions of people who have access to the telephone but not to a PC. But what kind of value-added services will companies be able to sell to those consumers? They won't need to have their e-mail read to them, because most of them won't communicate with anyone by e-mail. Nor will they have bank balances to check, investments to buy and sell, TVs on which to view rented movies, FedEx packages to send, or credit cards to use in payment.

Even for the rich, voice has its drawbacks as a communication tool. It is friendlier and more personal; and voice messages are quicker and easier to compose than e-mail. But they are less convenient to receive. When I was working as a foreign correspondent in the Far East, I used to spend a fortune in phone calls dialling my home in Tokyo from a hotel in Seoul to pick up messages – and there was no way to skip past the long, chatty messages from friends to the more urgent orders from my newspaper's foreign editor. Dealing with a couple of dozen e-mail messages takes only a fraction of the time it takes to listen to the same number of voice mails containing the same information. And e-mail, with its welcome incentive to brevity, is also perfect for exchanging short pieces of information.

The paraphernalia of the PC – mouse, colour screen, menus, icons, operating system – may be costly, but it adds up to a highly efficient system for controlling a wide range of different software applications. Even untrained people can compose complex documents on a modern word processor with only a few hours' training. To turn a PC into a phone, you would have to hang a towel over the screen, put masking tape over the qwerty keyboard, and leave only the numbers accessible. You would replace the speakers with a low-quality handset that the user must hold in one hand while punching numbers with another. The result is a gadget that is much less easy to use than a PC.

Proof of the telephone's unfriendliness is the inability of many office workers to even transfer an incoming call from one extension to another. In theory, this drawback can be overcome. Patient voices tell you to press one for sales, two for service, and so on. But to most people, this is "voice-mail jail": maddeningly slow, and a poor subsitute for a human being.

A standard user interface for the phone is needed, so that when you call a company for the first time, you know that pressing the hash key will bring up the internal phone book, and "2" will send a message urgent delivery.

Who can set such a standard? Evidently not phone companies. Most of them think "value-added services" means pornographic chat and the speaking clock. A software company will have to create a standard. The winner will emerge from a battle, and may not be the owner of the best interface. It will make pots of money, and scores of enemies. But its standard will turn telephone computing into something usable, friendly and ubiquitous.

If this sounds familiar, that is no coincidence. The process just described is exactly what has happened in the computer industry, in both software and hardware. Microsoft and Intel may well be companies that the rest of the industry loves to hate. But their standard-setting makes the PC a better and more attractive product.

That is why so many computer companies choose to take a small slice of the giant cake whose recipe these two firms have decided, rather than bake one of their own. And that is also why, until its software interface is dominated by a single standard, the telephone will never be a competing platform to the PC.

tim.jackson@pobox.com

Ideal Hardware profits from lesson of burning trousers

Radical multimedia marketing may lift margins, says **Paul Taylor**

James Wickes says he discovered the selling power of moving images long before he founded Ideal Hardware, the data storage and computer peripherals distributor, 10 years ago.

As a salesman for Xerox in London, he would sometimes find himself knocking on the same doors as the sales rep for a fire extinguisher manufacturer. "He used to set light to his trousers and then put the fire out with an extinguisher," he says. "I realised then that an image of someone doing something is much more powerful than words alone."

It was a lesson that he has put to good use at Ideal, now one of the UK's largest independent distributors and a leader in the use of multimedia sales techniques including a quarterly magazine, CD-Rom catalogues, video seminars, business television and the Internet to back up its specialist telephone sales teams.

Among the products sold by the company's 60-strong sales team are complex devices like disk drives, RAID storage devices and file servers. "As technologies become more and more sophisticated, it is harder and harder to describe them on the phone," says Wickes.

The data storage distribution business, like most other distribution businesses, faces an inexorable drift towards selling on price alone. "There are two ways round that," says Wickes, "putting people back on the road, or getting radical." Ideal Hardware decided to get radical.

While other distributors have seen their margins shrink in the face of growing competition, Ideal has managed to keep its margins above the 14 per cent level – twice that of some of its competitors – by providing its customers with valued-added services and enhancing branding.

Channel Vision, Ideal's satellite-based business television programme, is broadcast every Monday morning at 8.45am to about 500 resellers, 80 per cent of whom watch the programme each week. Channel Vision features new product announcements and demonstrations, case studies and debates between leading industry figures. Ideal is planning to extend the broadcasts from one hour to five hours a week.

Like Ideal's videos, Cyber Seminar CD-Roms and ProFile CD-Rom catalogues, Channal Vision's content is produced by a small company called Kinexus which Ideal has just acquired to ensure that it can react quickly to events in a fast-moving industry.

At the moment Ideal distributes about 22,000 copies of its two-disk ProFile CD-Rom catalogue each quarter and has 4,000 registered users – more than half the total reseller base. Wickes intends to make the content more up-to-date by using an integrated combination of the Net for rapidly changing data and CD-Rom for high bandwidth material such as video.

Eventually he also expects to sell commodity items such as software over the Net, but is cautious about the impact of electronic commerce on his business. "The Net represents a big opportunity and a threat," he says.

"I can foresee a situation in which a customer uses Ideal to get information about a product, and then goes somewhere else, to a cheaper supplier, to buy it. Our unique selling point is our information, so we are going to have to find a way to charge for that if a customer goes elsewhere to buy."

Despite Ideal's use of different media to add value to its service, Wickes has no illusions about the business Ideal is in. "We are not in television," he says. "We are a distributor, and this is just a way of securing our future."

Cyber sightings

By Stephen McGookin

● The excellent Woman's Wire (*www.women.com*) is currently running datails of the "100 best Companies for Working Mothers" survey. Mostly US-based organisations, but well worth a browse if you're chasing information on how a company compares with others in terms of pay, childcare and promotion opportunities.

● The Washington Post has built on lessons learned from its Digital Ink experiment to launch a terrific Web-based service *www.washingtonpost.com* – with news updates, film finder, searchable classifieds and a top-notch weather section. Building on one of the most valuable content brands in the world, the Post.com site is useful and entertaining to domestic and international readers. Well worth bookmarking.

● With the holiday season close, the UK Hotel and Guest House Directory (*www.s-h-systems.co.uk/shs.html*) might prove a boon for planning one-off overnight stays. Indexed by town or region, it also has an e-mail-to-fax link for many of the hotels, some of which offer discounts if you book online. Also, Internet Holiday Rentals (*www.holiday-rentals.co.uk*) has added a useful "late availability" feature, outlining rental properties worldwide that are available that week.

● Edinburgh Business School at Heriot-Watt University (*www.ebs.hw.ac.uk*) has put up a nice, easy-to-use site offering information about its MBA programma, including part-time and distance-learning arrangements, and the school's Business Executive Centre for corporate seminars.

● New York's Federal Reserve Bank has built on its existing site (*www.ny.frb.org*) to incorporate more information on community affairs programmes and compliance data on the Community Reinvestment Act. The bank also plans to put up additional features, such as M&A reports, holiday schedules and service bulletins during the coming weeks.

● A company called Dhillon's claims to be Britain's first Internet-based fast food delivery service (*www.almac.co.uk/dhillons*) and says that "anyone on the Web can view its extensive menu of curries, kebabs, pizzas and burgers". All very well, but unfortunately you have to live in Falkirk to actually order anything. Defeats the purpose of the technology, somewhat.

● Finally, a shameless plug for the FT's distinctive cartoonist Jeremy Banks, whose first collection, The Many Deaths of Norman Spittal, is previewed at his site *www.fbanx.com*. Wacky stuff indeed.

steve.mcgookin@ft.com

Financial Times on the World Wide Web
www.ft.com
or
www.usa.ft.com
Updated daily

The alien concept of a management buy-out has proved an attractive option for one far-sighted businessman, writes Gerard Baker

Japan's new iconoclast

To the casual observer, only the sapphire-blue, brushed-cotton shirt marks out Ryoji Kuniyoshi as a corporate iconoclast. In a country where the starched white shirt is a kind of badge of group belonging, sartorial individuality often connotes a streak of professional independence too.

So it is with Kuniyoshi. In the conservative, some would say predictable, world of Japanese business, he has just earned his revolutionary spurs. In February he achieved the unusual distinction of leading his company, Transtech, through a management buy-out.

The MBO may be a familiar tool of corporate engineering in the US and Britain, but in Japan it is as rare as the compulsory redundancy.

The traditional rigidity of Japan's corporate culture is mostly to blame. The near-sacred status of the Japanese company and the hierarchical stratification of roles within it mean that an idea as flexible and egalitarian as management ownership of a company is an almost sacrilegious abuse of the Japanese social compact. Until Kuniyoshi came along, the MBO – in which management and staff, with the help of venture capital, buy a company from its owners – has largely been seen, by those who had ever heard of it, as an alien concept.

"It is true that the MBO has been an extremely rare thing here," he says, "but that will change. As they see a precedent, more Japanese companies will find out about the attractions of MBOs..."

The genesis of the Transtech MBO is a good example of the sort of change in management attitudes in Japan that may bear out Kuniyoshi's optimism.

The idea of management ownership first came to the Transtech boss six years ago. The company, an importer and distributor of electronics and systems components that employs 55 people, had been set up as a division of its parent, the Hong Kong-based Swire Group in 1985. When, five years later, Swire promoted it to a fully-fledged subsidiary, with capital of Y100m (£590,000), Kuniyoshi decided that the young staff would benefit from western-style incentives. A share of the ownership for the management of the company would greatly improve morale, he believed.

He first suggested to the Swire board that the management buy a stake, about one third of the company, an offer Swire rejected. But Kuniyoshi persisted.

During the next few years, it became clear that the company's core activities were increasingly out of the mainstream of Swire's business. Kuniyoshi saw the dangers in the diverging interests and continued to press his plan on the main board. Last year they agreed to consider the idea. To his surprise, they agreed but on condition that his team buy not merely a stake, but the whole company.

"My immediate reaction was that it was just not possible – it would be too costly for us to take on the whole business," says Kuniyoshi. "But I was definitely interested."

To help understand the mysteries of financing an MBO, the president consulted 3IBJ, a Japanese joint venture between 3i, the British venture capital group, and IBJ, one of Japan's largest banks.

The timing was serendipitous. Paul Vickery, managing director of 3IBJ in Tokyo, had been looking at the possibility of more fully introducing Japan to the MBO. "It had all the right features for an MBO," he says. "It was the ideal opportunity to develop a practice common elsewhere, but almost non-existent in Japan."

In February the deal was completed. A transfer price of Y150m was agreed. The management now owns 45 per cent of the share capital, 30 per cent is owned by 3IBJ and the rest was taken up by "angels" – friendly investors. The company aims to list on the over-the-counter market within the next few years.

Customers, who include some of Japan's largest companies, have pronounced themselves happy with the new ownership, and the Y2.2bn-a-year business is thriving.

Vickery believes Transtech will prove to be just the start. He points out that 10 years ago, few had heard of buy-outs in Britain, yet they have since gone from strength to strength and in the past five years there have been more than 5,000. Even in Germany, also apparently infertile ground for the MBO, the number of buy-outs is growing.

"No one has really set out systematically to create an MBO market in Japan. That is what we are aiming to do," he says.

But he accepts that cracking the Japanese market will be much harder. Apart from the general problem of the fear of the unfamiliar, a range of mainly cultural difficulties stand in the way.

The most important constraint is a feature of Japanese business activity relations not confined to MBOs. Japanese companies do not generally like to sell subsidiaries. That applies to selling to anyone, whether outside or inside the group. The close ties between companies in the big business groupings, or *keiretsu*, foster almost familial relations. Japanese companies and their employees are not bought and sold like goods on the open market – witness the very small mergers and acquisitions market in the country.

Even when companies do break with that powerful tradition, another common cultural problem arises. The requirement for consensus makes it a cumbersome business to get agreement, both at the parent and the prospective spin-off company, on the disposal of subsidiaries.

A third problem is an innate caution among many Japanese managers. They often prefer the protection and security a big company might give them to the possible rich rewards but big risks associated with a buy-out.

There is also the problem of corporate diplomacy. Hierarchy is rigidly observed in Japan, and deference towards the owner is an essential part of the principle.

As Vickery puts it: "How do you negotiate with your boss? It is a difficult enough problem for British or American managers, let alone the more deferential Japanese."

"It almost feels immoral," says a manager at Transtech, "as though you are usurping power from the rightful owner." But, according to Vickery, recession and the opening up of more Japanese markets have started to soften some of these rigidities.

He is realistic about the possibilities – the prospect of enticing big Japanese companies to throw off their legacy and dispose of some of their subsidiaries in this way is remote. But there are, he believes, two more promising groups of companies.

The first is businesses such as Transtech – subsidiaries of foreign companies. Much less constrained by cultural objections, foreign owners may well look at the experience of Swire and Transtech and see the attractions.

The big danger for the would-be buyers, though, is a financial one. Stung by their financial disasters of the past few years, Japanese banks are reluctant to expose themselves to the kind of risks that are posed by MBOs.

The problem was especially serious at Transtech. According to Kuniyoshi, the company's main bank was not enthusiastic. "What obviously troubled them was the loss of the guarantee from the parent company," he says.

The second category of company Vickery has in mind should not face this problem. 3IBJ has been researching tha potential for management ownership at smaller, family-run businesses.

The age profile of Japanese businessmen means that a vast number of companies are run by men aged 70, 80 or 90. More than 100,000 companies fall into this category – a figure much higher than 20 years ago. The problems of succession at these companies will be more acute than ever, Vickery believes. For the better-run companies, the management buy-out is an obvious possibility.

"Normally when a strong owner-manager dies, he leaves an almighty mess. In the next few years, that will become an increasingly common problem," says Vickery. "The well-planned buy-out should be a useful means of avoiding that."

Overcoming the cultural barrier will still be the biggest challenge, however. Unease at the very idea of the MBO is still widespread in Japan. At these smaller companies the hostility may be even greater.

One of tha managers at Transtech sums up the innate conservatism of the Japanese business executive: "When we had eventually completed the MBO, we received an enormous number of calls from two sources – our American suppliers and our Japanese friends.

"The Americans were all eager to congratulate us on our triumph. The Japanese thought it a matter for commiseration. They all said how sorry they were that our business had had to come to this."

An impetus for change

Management buy-outs are not unknown in Japan as Osamu Yasuda and Takamori Tamura will testify. The bursting of the economic bubble and industrial deregulation has forced some leading companies which diversified into various businesses during the 1980s in search of earnings, to return to basics.

In 1994, Yasuda decided to buy out the optical electronic sensing technology subsidiary of Japan Energy, a mining and petroleum company created through a merger between Kyodo Oil and Nippon Mining in 1992. He had headed a project team for Nippon Mining in 1985 to look at new businesses for the company. Although the unit's operations became large enough for Nippon Mining to make it into a subsidiary, costs were larger than earnings.

When Japan Energy started restructuring, Yasuda decided to buy out the operation in 1995 and became the president of Y.O. Systems. Japan Energy supported Yasuda's move, took on the subsidiary's losses and decreased the capital to Y20m (£118,000) from Y100m. The company managed to shed overhead and interest payment costs and for its first business year had sales of Y610m and recurring profits of Y15m.

Yasuda's initial financing problems have been solved as over 50 banks and venture capital companies are offering finance.

Elsewhere, the sharp decline in property prices since the early 1990s was encouraging Alphax, a property and leisure resort developer, to restructure its business and focus on its main operations.

Tamura proposed buying out the company's high-technology restaurant systems division which he had started in 1987. While Tamura had considered finding a corporate buyer, becoming the head of the company seemed to be more appealing than being controlled by a larger owner.

Alphax, which needed the cash, readily agreed to the sale and in 1994 Tamura launched Alphax Food Systems with capital of Y50m.

While the interest payment remains a heavy burden, by fully disclosing company finances and operations to employees, Tamura aims to keep morale high and wants to boost earnings to Y10bn by 2000.

Emiko Terazono

A good worker is a despondent one

Lucy Kellaway

Who would yon rather have in your workforce: the crowd of England fans who travelled out to Wembley last Wednesday high on bope, or the crowd that travelled back, gutted? The conventional wisdom, as supported by a panel of production managers assembled by the FT last week, is that when our team is doing well we are happier and work harder. The England win in 1966 is supposed to have done wooders for productivity. But for my money I'd rather employ despondent fans.

The fans on the way to the game were chanting, noisy and obsessive, clutching their cnns of Fosters and Special Brew. Just think of bow much more they would have had to drink had England won, just think of how many post-mortems in the office would have become essential. When football is that great, who oeeds to work hard? But Wednesday's crippllogly disappointed crowd burried away in silence from the stadium.

We packed onto the Metropolitan line orderly and subdued. The pub at the end of our street was empty and all the lights were out in the bouses. The following morning everyone woke up sober and sad. And what do you do wben you are bitterly disappointed? Do you want to stand around and talk abont it for hours on end? Of course not. You go to work and get on with the job to take your mind off it.

Excuse me. Can I have a look at your ankle? Is that a tattoo of your corporate logo just below your sock line? If yon ask a Nike executive the answer may be yes – some of them have tattooed the company's tick on to their leg to match the tick on their Nike trainers.

This information comes courtesy of Faith Popcorn, the US marketing guru who likes to tell the nation what is up and what is down. It's all very puzzling. Tattoos are for life but I had understood that jobs these days were just for Christmas.

So are jobs for life after all? The most confusing thing about the debate is that no one agrees on the facts. Has the world of work changed beyond all recognition, or are the changes at the margin? Recently a piece of government-sponsored research claimed that the percentage of the British workforce in full-time permanent employment is over 80 per.cent and has barely changed in the past 10 years.

When Charles Handy read this in his morning newspaper, he choked on his cornflakes. According to him, the number is already less than 50 per cent.

You might have thought that it would be easy to find out who was right, especially as it is an issue that matters. How can we begin to describe our society or even plan our own futures until we know what the figures are?

Conspiracy theorists might say that it is in the government's interests to suppress just bow uncertain the world of work has become. But the rival cock-up theory has greater appeal for ms. Only last week the government admitted that 20 per cent of the qnestionnaires that it sends out to companies are unnecessary and that they could be axed without damaging economic statistics at all. So perhaps with fewer irrelevant numbers to process, it may be possible to give a clearer acconnt of the ones that really matter.

"I like X but I don't trust him," I said to a colleague the other day, referring to a third party whose back was turned. He gave me a withering look. "What is trust?" he said. "It's a bargain between consenting adults – only silly people talk of it in the abstract. It's all a game – what matters is not whether you trust other people, but whether you can predict what they are going to do."

Needless to say this particular colleague is a cynical old so-and-so whose views are usually obnoxious. I said that I believed in something called trust, believe it to be a good thing, and am quite prepared to go along with the US academics who have found links between trust and economic performance.

But I wonder if his view might not have its advantages as a practical guide at work. The issue is not trust *per se*: the dangerous colleagues are not those who are obviously untrustworthy, because you adjust your behaviour accordingly. They are the ones who you think you can trust and then liva to regret it.

I had a doubla take last Wednesday as I looked at the picture of the chief executive of the Pru on the front page of the FT. For a minute I thought I was looking at Mick Newmarch, bnt then I realised that Peter Davis, the new boss, is taking on an uncanny resemblance to his predecessor. Not only has he physically grown into the job, he has adopted the same expansiva gestures, the same set of the jaw.

I wonder what Newmarch looks like these days. Maybe he has done what people tend to when they leave office and has now reduced in size just like Lord Lawson, Neil Kinnock and Lady Thatcher...

DEALING WITH DISABILITY

Blindness

It is the little things that other people take for granted, such as being able to read the office notice board, that cause Roger Clifton, who has been blind from birth, the most difficulty in his working life.

Clifton works as a computer systems analyst at Prudential UK, the retail side of the Prudential Corporation, Britain's biggest life insurer.

Blindness, he says, causes few problems in his work, thanks to the support of his employer, which has tapped into government schemes to purchase equipment such as a scanner that reads documents and provides a speech output.

"I believe I am treated like everybody else, although at times I detect that some individuals are slightly hesitant about my abilities," says Clifton, aged 36, who has worked for the Prudential for more than eight years. Previously he worked for Thorn EMI and Texaco.

He says the main obstacle to employment is securing an interview. "Employers read on your curriculum vitae that you are blind and they fear that you will not be able to do the job. But, in my experience, once you are being interviewed and are able to discuss some of these preconceptions, you stand as fair a chance as anybody else."

John Wall, chairman of the Royal National Institute for the Blind, who is a solicitor and who is also blind, advises employers to analyse the components of a job and then properly evaluate those areas where a blind person may need assistance.

"As a solicitor I listen to clients, I take notes and I write letters," he says. "But, all these activities can be accommodated using new technologies. A lot of sighted solicitors use the same technologies."

The RNIB says there are over 100,000 blind and partially sighted people in the UK and they are the least likely of all groups with disabilities to get a job. In the 16-59 age range an estimated 75 per cent of people who are registered blind are unemployed.

The RNIB, which makes the caveat that some registered blind people may not be actively seeking work because of their particular disability, says: "Many employers perceive blindness as an insurmountable obstacle to work. They find it difficult to understand that people can perform tasks without vision.

"But, technical developments have been such that there are very few jobs that a blind or partially sighted person cannot do with the right assistance." A speech system can be added on or integrated into electronic equipment, while for partially sighted people, there are different screen magnification systems.

The government, moreover, provides allowances for registered blind people to have the services of a reader.

Many blind and partially sighted people turn to self-employment. June Bretherton, a former teacher who became blind 11 years ago, runs her own company which arranges conferences and exhibitions. Thirty people work for her, 29 of whom are visually impaired.

"The main problem in setting up a business if you are blind is persuading the bank, or the Employment Service which provides financial assistance, that you have a viable business plan."

Lisa Wood

BUSINESS EDUCATION

Business schools are looking for a higher proportion of women on their MBA courses, says **Della Bradshaw**

Soft focus beats the hard sell

There is a growing disquiet in the minds of business school administrators. While they all enthusiastically promote their master of business administration degrees (MBAs), they are increasingly concerned that the high-flying managers they produce have more in common than just the three letters after their names. The vast majority of them are men.

Figures published by IMD, in Lausanne, show that the problem is particularly acute in Europe. In the US 30-35 per cent of all MBA students are women; in Europe the figure is as low as 15-30 per cent, varying from country to country.

So concerned are many of the European schools that some – IMD, London Business School and Manchester Business School, to name just three – have devised scholarships to fund women through the courses.

At Cranfield School of Management, in the UK, the proportion of women on courses is generally rising, says director Leo Murray. But in this year's intake of full-time MBA students the proportion of women dropped to about 10 per cent. The school has set up a focus group with some of this year's women students to try to discover why.

"I've always felt the MBA was marketed as a really tough programme for really bright people," says Susan Vinnicombe, dean of Cranfield's management and administration faculty. "That puts off many women, though it is a turn-on for many blokes."

She points out that many of the women MBA students at Cranfield have partners who have already done the course and so have some real experience of what it involves.

The focus group backed up Vinnicombe's theory and pointed out that the promotion material for the MBA course sold it as a worthwhile investment – promotion at work, a higher salary and so on.

Riz Lateef, who graduated with an MBA from Cranfield in 1995, says her peers were not impressed by the money and status arguments. "They saw the course in terms of personal experience and change of lifestyle."

"Women are much more likely to talk about job success in terms of an inner psychological dimension," believes Vinnicombe. "Men are more likely to measure it in terms of money and status."

At Manchester Business School a similar focus group was set up a few years ago. It identified similar concerns. As a result, promotion material for the Manchester MBA was changed to stress that the course handled "people skills" as well as the "harder" subjects – accounting or statistics.

The change has contributed to a sizeable increase in the number of women students. In 1993 only 26 per cent of students on the part-time MBA course were women. This year the figure is 52 per cent. The full-time course has 27 per cent women students.

Andrew Dyson, director of post-graduate administration at Manchester, puts the popularity of part-time courses down to the fact that many women in their early thirties want to take a career break for family reasons and so are unwilling to take a further year off to study.

But the basic problem may lie in the intrinsic design of the European MBA course, argues Kai Denzel, director of MBA admissions and career services at IMD. European MBAs are designed to take students in their early thirties, who already have good management experience. In the US, where there is a higher proportion of women on MBA courses, students are usually 26 or 27 years old.

"A woman at 30 has different issues to deal with than a woman at 25," concludes Denzel.

For women who do get an MBA the employment news is good. Companies are eager to employ more women, even in some of the more traditional male-dominated industries of manufacturing, banking and consultancy, says Denzel.

Some of the consulting firms are even changing work practices by introducing home working and sabbaticals, to encourage talented women to join the staff.

Moreover, Denzel believes there is one positive factor that prevents women from taking a career break to study for an MBA. "Organisations are so eager to keep good women managers that they put in more of a push to keep women than they do men."

NEWS FROM CAMPUS

Performance pay the business school way

The Indiana University School of Business is practising what it preaches and applying the rules of customer satisfaction to its wages bill.

Under the "pay by performance" scheme, introduced by John Rau, dean of the school, pay rises are no longer allocated uniformly but are subject to an incentive system.

The pool of money allocated to each department for pay rises is now dependent on innovative programme design, teaching quality and the way in which faculties deal with both present students and alumni. *Indiana University School of Business: US, 812 855 9039*

Drop in recruitment at consultancies

The surge by management consulting firms to employ all the best American MBA students would seem to be on the wane, if figures from the University of Chicago graduate school of business are anything to go by.

Preliminary figures from Chicago show that only 21 per cent of this spring's graduates will be joining consultancy firms – compared with 32 per cent a year ago. The school believes the decreasing number of corporate re-engineering projects undertaken by consultants is to blame for the decrease.

However, the starting salary for management consultants is still the highest of any industry at about $100,000 (£65,000) including bonuses and perks. Investment banking companies hired 18 per cent of the Chicago graduates. *University of Chicago: US, 312 702 7128*

Learning the business lingo in London

The European Business School in London is running English language courses over the summer for business people who do not speak English as a first language. As well as the four-week intensive course, the school will be running combination language and business skills courses in economics, accounting and finance, marketing and business and management operations. *European Business School: UK, (0)171 487 7495*

Travel News • Roger Bray

Korea airspace move

Flights from Europe to Seoul will be significantly shorter if North Korea agrees to open its airspace to foreign airlines. The move could follow meetings this month between officials in Pyongyang and a delegation from the International Air Transport Association.

It would benefit passengers on up to 60 services a day, including those travelling between North America and cities such as Taipei. Airlines may at last be able to offer non-stop flights from Chicago and Toronto to Hong Kong. British Airways, whose pilots are forced to detour south from Beijing, over Japan, reckons it would cut the journey by 50 minutes.

One estimate suggests it could save airlines a collective $250m a year in operating costs. The North Koreans have indicated they will accept flights by all airlines, including those of carriers based in South Korea – Korean Airlines and Asiana.

Iranian airport

Iran has opened a new airport in the north with the aim of improving links with the Central Asian republics. Called Almas International, it is near a free-trade zone at the north-eastern town of Sarakhs, on the border with Turkmenistan.

Initially capable of handling short-haul jets, it will eventually have capacity for up to 3m passengers a year. The development is part of a quiet drive by Iran to expand its civil aviation infrastructure to cope with rapidly increasing traffic.

Car hire price rise

Brace yourselves for sharp increases in UK car hire costs. Eurodollar says it needs to raise prices by up to 15 per cent to counter deepening vehicle depreciation because of a fall in the second-hand market and a squeeze by manufacturers, who want to increase their earnings by selling more cars on the forecourt. A rise that steep would take the daily rate for a Vauxhall Corsa to about £28.

Check out check-in

Groping, as hoteliers do, for ways of inching ahead of the competition, the management of London's Four Seasons has come up with a wheeze already familiar to US domestic air travellers – the kerbside check-in. If the hotel knows what time you expect to arrive, the doorman will hand over your room key and arrange for any luggage to be sent up. The idea is aimed at the Park Lane hotel's regulars.

Hotels club

Two-thirds of business travellers are keen on the idea of hotel "clubs" offering them special facilities. When Regent International surveyed its frequent clients, no fewer than 60 per cent said the concept was "very important" when it came to choosing where to stay. So, in return for a small premium above the daily room rate, the chain has begun offering extras such as a library stocked with newspapers, magazines and reference books, transportation to some business appointments, round-the-clock snacks and drinks, and special arrangements for checking in and out. The club has been launched at Regent's hotels in Jakarta and Bangkok – and will be extended to Singapore and Kuala Lumpur.

Wing and a prayer

Copenhagen Airport has opened a "prayer lounge", where fraught passengers can seek inner peace away from the hassle of air travel. The lounge, which will accommodate about 30 people, promises to provide facilities for most religions. It can be divided in two to avoid clashes – and includes floor markings showing the direction of Mecca.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	25	27	27	28	28
Hong Kong	29	29	29	29	29
London	18	19	18	20	20
Frankfurt	18	18	20	19	22
New York	33	31	29	30	31
L. Angeles	32	33	31	33	32
Milan	28	28	27	28	27
Paris	19	21	20	21	25
Zurich	18	19	23	22	23

Information supplied by Meteo Consult of the Netherlands

Maximum temperatures in Celsius

The benefits of airline alliances to the business traveller are open to debate, writes **Amon Cohen**

The right connections

Last month's proposal of an alliance between British Airways and American Airlines was hailed as unequivocally good news for the two carriers. Both airlines will effectively double their networks at minimal expense, leading analysts to forecast additional profits of hundreds of millions of dollars.

Whether this and similar alliances ratified in recent weeks are an equally good deal for the business traveller is open to debate. BA and American can argue that their alliance is necessary to keep the transatlantic market competitive. Otherwise, they say, they will lose ground to the partnership forged by United Airlines with Lufthansa (shortly to be joined by SAS) and by Delta Air Lines with Swissair, Austrian Airlines and Sabena.

Furthermore, they say an open skies agreement between the US and the UK, which would accompany the alliance, would give more airlines access to Heathrow, leading to a fall in fares as more carriers compete on the same routes.

The reality appears to be far more complex. The International Air Transport Association fears the partial withdrawal of the airlines that have formed alliances from tariff-setting conferences could spell an end to interline agreements in Europe. Interlining is the mechanism by which passengers on itineraries involving more than one airline transfer from one carrier to another but pay just one fare for the entire journey.

Patrick Murphy, Iata director of tariff co-ordination, predicts that passengers at regional airports will suffer if their local airline is unable to make interline agreements with large, allied carriers.

"A number of airports are going to feel deprived as a result of this," he says.

Hans Krakauer, industry and government affairs spokesman for the International Airline Passengers Association, a consumer group, has predicted that travellers will have more difficulty in finding convenient flight connections and will pay more for complex flights.

"It would make it very difficult for many people in Europe and North America to make proper connections and pay a proper price for it," he said.

One regional British airline feels threatened by alliances for a different reason. Jersey European Airways flies between Belfast, the Channel Islands, London Stansted, London Gatwick and several smaller domestic airports. A large proportion of its traffic to Gatwick and Stansted feeds through to international flights with larger carriers.

Much of the competition on its routes is provided by BA franchise airlines which fly under the name British Airways Express. The problem, says managing director Barry Perrott, is that BA offers connections from the above points to its international hubs at no additional cost. That already makes it more tempting for passengers flying from Gatwick with BA to use the BA franchise carrier from, say, Jersey. Now Jersey European also stands to lose its passengers who would previously have transferred to American Airlines flights. "For small carriers in the UK, you are either in [the BA network] or out," says Mr Perrott. "This makes BA even more dominant."

He is also concerned that a US-UK open skies agreement would allow more US airlines into Heathrow ahead of Jersey European, which has applied for years for departure and landing slots. "If US carriers, as part of the agreement, are allowed to jump the queue, we would be extremely unhappy."

With interlining under threat, and the superior marketing power of the large airlines, it is easy to see why non-aligned independent carriers are under pressure. British Midland demonstrated how important such airlines are to the business traveller when it released a study comparing lowest business class fares on Europe's 40 busiest city pairs between 1986 and 1996. Prices on routes with genuine competition rose by an average 36 per cent, against 48 per cent on those without.

But a strong counter-argument is provided by Andrew Gray, managing director of Air UK, another regional carrier. It is 45 per cent owned by KLM and will fly 1.4m passengers this year to Amsterdam, of which 50 per cent will continue to other destinations with the Dutch carrier. KLM and Air UK also have a partnership with Northwest Airlines which dates back to 1989.

It is precisely this grand alliance, Mr Gray argues, that makes international flying possible for passengers at some of the smaller airports without connections to Heathrow or Gatwick. "We are able to offer a worldwide product to passengers at airports such as Humberside and Norwich," he says.

"We are going to end up with a certain number of worldwide alliances. Any small carrier has to belong to one of them." The exception are those carriers that can get by without feeding larger airlines, he says.

The main virtue of the alliances for the business traveller, says Graham Atkinson, vice-president, United Airlines Atlantic division, is a seamless service involving one ticket, one check-in process and one person to complain to if anything goes wrong.

Frequent-flyer scheme members also benefit from the linkage of programmes, with more opportunities to collect and redeem. Lufthansa and United anticipate their schemes will eventually be merged.

Mr Atkinson sees few negative implications. Where alliances exist, he believes, prices have not risen, and there is little chance of their doing so across the North Atlantic, the most competitive long-haul route in the world.

Business travel agents are less convinced by such arguments. David Radcliffe, managing director of Hogg Robinson BTI, foresees savings for large corporate clients able to secure enormous, all-embracing deals with the alliances. But for travellers with less buying power, he believes fares could either rise or fall depending on how effectively competition is maintained in the marketplace.

Tony Hughes, managing director of P&O Travel, and air working party chairman of the Guild of Business Travel Agents, says: "I can understand the rationale for airlines but the benefits for passengers are a bit smoke-and-mirrors.

"If major competitors get together, there has to be less choice. The airlines also talk about through services as if this is something new but travellers have always been able to do that. Besides, if a European business traveller is visiting Albuquerque in New Mexico, they will still have to change aircraft in the US and clear customs and immigration."

Fares war on Schiphol hop

Amsterdam has long attracted exotic breeds of traveller, but now there is an equally diverse range of airlines to convey them on the short hop to and from London.

Departure boards at the city's Schiphol airport bristle with unfamiliar designator codes as new carriers offer different means of getting between two of Europe's busiest hubs. The result has been a fares war which has forced down prices on the established services.

If going Dutch means halving the bill, KLM this month did that and more, offering for Fl 190 (£71) an economy return with the usual stay-a-Saturday restriction, down from the previous Fl 406.

The airline insists this is no gimmick but "a structural fare people can use", from Rotterdam and Eindhoven as well as Schiphol. The same fare now applies on British Airways and British Midland, the other carriers into Heathrow.

Cheaper flights are not the passenger's only gain. The sprouting of competition this spring has meant that Amsterdam is now reachable from any of London's five airports.

The brashest upstart is EasyJet, which began flying the route from its Luton base with one-way offers of Fl 99 to customers on the Dutch end and as low as Fl 35 out of the UK. EasyJet upset not only competitors but the Schiphol authorities, who are unhappy with its use of a noisy Boeing 737-200. However, the airport says that under open skies accords it is powerless to bar the offending airliner.

The Luton option joins services from Stansted on Air UK, a KLM associate, while the Dutch carrier's Transavia subsidiary does the run to Gatwick.

Business travellers, meanwhile, for the first time in years have the option of a cab ride to London City Airport from where the hyperbolic World Airlines (slogan: The airline that dares to be different) shuttles a BAe 146 to Schiphol – its sole route – in a service which began last month. In the two-class cabin, introductory fares at the front have recently been as low as full-fare economy on the big airlines out of Heathrow.

Chainsmokers shunned by the larger carriers may wish to know that their habit is indulged, though 45 minutes in the air hardly warrants recourse to nicotine patches. Other potentially lucrative minorities are catered to – among periodicals offered as inflight reading is the gay style monthly *Attitude*, aimed at those heading for the bars rather than the bourse.

Gordon Cramb

From cricket bat to willow wand

Keith Wheatley visits a Taunton firm which makes weapons for star sportsmen

It seems almost a parody of Englishness. The green tranquillity of a county ground on a June day. From the nets the sound of bat on ball as the Somerset First XI train. In the Millichamp & Hall workshops the sweetish smell of willow-shavings as another bespoke cricket bat is hand-finished.

Jonathan Hall almost succumbed to the magic. "Actually I was almost totally useless at making bats. I dread to think that there might still be some of mine knocking about," laughed the proprietor.

"I suffered from the classic middle-class illusion that a life in crafts would be blissful. In fact, it's hard, dirty back-breaking work that only a few very skilful people can do."

He handed me a drawknife, a foot-long blade of Victorian steel with a handle on each end, and invited your reporter to shave a little willow from a half-completed bat. Hall is right. It is difficult. Fear of carving an ugly lump out of a £159 objet d'art makes it harder.

A small, bespoke business: Jonathan Hall in the Millichamp & Hall workshop at the Somerset county ground

Alain Lockyer, Somerset News

When England play India in the final Test match on Thursday there will more than a few Millichamp & Hall bats making runs out in the middle – not that the fans would know it from either television or press photographs. The logos that catch the eye on the weapons of the star batsmen are from the big manufacturers.

This is marketing land, where the endorsement of a Lara, Atherton or Tendulkar can sell many thousands of bats. It needs to, for the players who regularly make Test centuries and back-page headlines ask and receive up to £50,000 a season in endorsement fees for using a particular make of bat.

However, in a surprising number of cases (just exactly who, Hall is too discreet to specify) the three pounds of prime English willow below the stickers is from Millichamp & Hall. These are the bats that dare not speak their name. Professional cricketers want the income from an important manufacturer but also they want to swing a bat made specifically for them, adjusted by craftsmen for their particular build and style of play.

In short, they want to come down to Taunton, hang around the workshop and watch medieval tools such as wooden planes, spokeshaves and and an oil-soaked horse's shinbone used to shape their heart's desire.

"People often ask me if I mind that our bats are being disguised as other brands and I genuinely don't," says Hall. "We took a decision very early on in the life of the company that we wouldn't ever pay anyone to play with our bats and I think that has been good for a small, bespoke business."

Although the very name has a ring of a Lobb or Purdey, the partnership of Millichamp & Hall dates back less than a decade. Hall was a young man hanging out in New Zealand, running an indoor cricket centre, when he bumped into Julian Millichamp, a young, immensely gifted English batmaker who had travelled to the New World to start up his own operation after an apprenticeship with the legendary John Newbery of Gray-Nicolls and Sussex.

"It all began when I asked Julian to make a bat for me, treating myself with money my mother had sent me for my birthday," recalled Hall. "It was a revelation. Quite different from anything I'd played with before."

By 1987 the pair were in business; Millichamp handling the wood, Hall shaping the money side of things. Unlike most businesses that start domestically, M & H did things the other way around. From the outset they operated half the year in Perth, Western Australia, and the other six months in Somerset – camped in the medieval barn of a cricket-mad farmer.

Steve Waugh was the turning point for the bat-makers. Millichamp & Hall repaired a bat for the Australian star batsman and he became a devoted customer. During the Ashes series of 1989, the Australian tourists headed straight for Taunton and during the Test matches 11 of the 16-strong touring party used M & H bats – albeit hidden behind a variety of other manufacturers' names.

Dressing room chat did more for the bat's image than any advertising campaign. By word of mouth the fan club grew, and the pilgrimages to Taunton grew more frequent.

A cricket bat is not a lifetime purchase, however much affection grown men feel for the ancient club they have owned since boyhood. "People's expectations of cricket bats are way too high," cautioned Hall. "Every time you hit the ball you're wearing the thing away. Somewhere between one and three years is a pretty fair life expectancy."

The key to the durability of the bat's face comes from the 80-year-old hand-operated press that squeezes and shapes the East Anglian willow cleft. "We operate at two tons pressure which is rather light and leaves every bat having to be knocked-in by hand," explained Hall (whose own batting is better than average – top-score in an MCC friendly 165). "We could turn it up to two-and-a-half tons in order to turn out a lot of 'planks' which would be maintenance-free but the batsmen would probably wish it to break."

The firm produces about 2,000 bats a year, with a growing trend towards the lighter models. The fashion, started by Ian Botham, a giant of a man with the strength of a middle-order ox, for bats weighing three pounds and more seems to be a passing phase.

Elegance and stroke-making are back in vogue, with a shift towards bats closer to the 2lb 6oz minimum. This week sees the Pakistan touring side visit Taunton for its three-day match against Somerset prior to the Test series. Jonathan Hall is gearing up to sell a lot of plain, un-logoed bats. "All their top guys will be in here," he grinned.

London's beauty disfigured by a traffic maelstrom

A trip to the Tower highlights all that is wrong in Britain's capital, writes **Colin Amery**

You can smell it, you can taste it, you can be deafened and poisoned by it and millions have been killed by it – yet the motor vehicle leads a virtually unhindered existence in Britain, especially in the capital city.

We make enormous sacrifices to this tin god that fail to appease the deity but which erase all memories of life without the car. London is in fact a car park and series of motorways that just happens to have a capital city stranded in the middle of the motorised maelstrom.

One of the few things that really hurts a minister or lofty official is the threat of the removal of the car and driver. Senior civil servants, since they never walk or take the bus or the tube, have no notion of how mere mortals move about.

But there are changes in the polluted air. Pedestrianisation and traffic management are only now squeezing into the official vocabulary. The Millennium Fund has decided to fund cycle tracks from John O'Groats to Lands End. The Heritage Lottery Fund hopes to move civil servants' cars out of the Great Court of Somerset House. It wants to encourage more pedestrianisation to improve the settings of historic buildings.

I was recently shown plans for improvements to the setting of the Tower of London. As English people never go to the Tower you have probably not attempted the unbelievably hazardous route from the Tower Hill tube station.

There are squalid concrete passages, stinking stalls selling fried onions, and no perceptible pedestrian crossing for tourists to cross six lanes of traffic.

It is a horrifying experience, made worse if you raise your eyes from the ancient cobbles and as much as glance at the hideous newer buildings that surround the historic fortress. It is an architectural nadir – a place of shame.

The Heritage Lottery Fund has given £500,000 to something called the Tower Environs Scheme Project to prepare technical studies and a costed master plan in preparation for another lottery bid.

I hope the masterplan is radical enough. It is being prepared by a partnership between the Historic Royal Palaces Agency, the London Borough of Tower Hamlets, the Port of London Authority, and the Taylor Woodrow Property Company (owners of the adjoining St Katherine docks).

It would be a disaster if it was only another cosmetic exercise. Any plan should include architectural guidelines for the entire surrounding area and plans for the future demolition of unsuitable buildings.

These architectural guidelines should encompass all sides of the Pool of London including the huge site opposite the Tower on the south bank that belongs to the Kuwaiti Investment Office.

Already that site has had schemes proposed for it that copy the Palace of Westminster (by Philip Johnson) and St Mark's Square, Venice (by John Simpson). Access for pedestrians to both sides of the river is a minimum requirement and a brisk river ferry service should be established between the north and south banks of the Thames.

With no serious government for the capital, there is a risk of a lot of half-baked schemes for the Millennium and no lasting improvement for the people of the city.

One area that the Millennium Commission should approach (although it can officially only respond to ideas) is the pedestrianisation of central London. That has to be accompanied by draconian traffic management – deliveries at night, less traffic allowed near the centre, and fierce pollution controls.

Perhaps a new government would be more responsive. I suggest they start with themselves. All the great government office buildings on Whitehall have large and splendid courtyards. They are all full of cars. Why is the Horse Guards parade a car park? Why is Westminster Abbey cut off from Parliament by traffic? There is no good reason why a visionary Prime Minister could not create a Parliamentary government precinct that would be as green and pleasant as a walk though the quadrangles of Oxford and Cambridge.

The same could be done to Bloomsbury for a University/British Museum precinct – with lawns and fountains outside the museum. The squares of St Marylebone north of Oxford Street could recover their dignity.

The scope is infinite, but there has to be a traffic plan for the capital bold enough and sane enough to tackle the whole region. The health of the capital and its people depends on a coherent, holistic traffic and public transport policy. It has happened in other English cities – York is a good example. A visit to Munich will show you how to civilise an important city.

London could do it as the inhabitants are exhausted by the present situation and furious at the lack of imagination and inaction. It is simply a matter of feet first. If nothing is done, the feet will walk elsewhere.

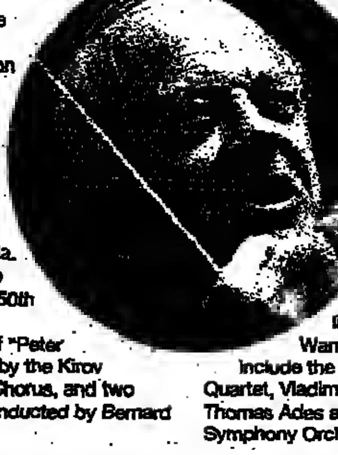
ARTS

MUNICH
The Bavarian State Opera's July festival opens tonight with the world premiere of Hans-Jurgen von Bose's "Slaughterhouse 5". Paul Daniel conducts a staging by Eike Gramss. The festival also includes performances of "Cosi fan tutte", "Aida", "Meistersinger" and "Der Rosenkavalier" with Felicity Lott (below) as the Marschallin.

BONN
In its series of exhibitions entitled "The Great Collections", the Kunst- und Ausstellungshalle has showcased art from some of Europe's most richly-endowed museums. Now comes the turn of Stockholm's Moderna Museet. More than 200 works have been chosen to represent its collection of modernist, contemporary and Scandinavian art. The exhibition, which includes paintings by Kirchner and sculpture by Giacometti (right), opens on Friday.

COOPERSTOWN
Glimmerglass Opera, a thriving festival in upstate New York, opens its 1996 season on Friday with a revival of Jack Beeson's 1976 opera "Lizzie Borden". The season also includes Cavalli's "La Calisto" staged by Simon Callow, plus "Don Pasquale" and "La finta giardiniera".

TANGLEWOOD
The Boston Symphony Orchestra this week moves to its summer home in the heart of the Massachusetts countryside. The Tanglewood season begins on Friday with a Bernstein and Dvorak programme conducted by Seiji Ozawa, featuring cello soloist Yo-Yo Ma. Highlights of the season include 50th anniversary performances of "Peter Grimes", a visit by the Kirov Orchestra and Chorus, and two programmes conducted by Bernard Haitink (above).



CHELTENHAM
In Michael Berkeley's second summer as festival director, familiar and neglected Russian music rubs shoulders with a large number of British and world premieres. The festival opens on Saturday with John Woolrich's new opera "In the House of Crossed Desires", set to a libretto by Marina Warner. Visiting artists include the Borodin String Quartet, Vladimir Ovchinikov, Thomas Ades and the Bournemouth Symphony Orchestra.

MONTREUX
Montreux Jazz, which begins on Friday, has all the bases covered – reggae, funk, blues and soul. There is even an Irish night this year. Jazz highlights include singer Cassandra Wilson, a Quincy Jones all star band, George Benson (right), the McCoy Tyner Trio and Horace Silver's Septet on the same bill.

LONDON
"By Jeeves!" – the musical by Alan Ayckbourn and Andrew Lloyd Webber that both men revised for the opening of Ayckbourn's new theatre in Scarborough this year – arrives in London tomorrow, opening at the Duke of York's Theatre.

Hyde Park's smile-in

The Masters of Music spread happiness but little strong emotion, writes Peter Aspden

Helping hand: Roger Daltry (left) appeared subdued beside Gary Glitter's hyperactive presence

Perhaps it was the fault of the football. Three weeks of sunny skies, capacity crowds of good-humoured gentlefolk, electrifying tension; we had been spoiled. When it came to capping it all off with a day of good vibes at London's other venue of legends, Hyde Park, on Saturday, an unmistakeable feeling of flatness inevitably pervaded.

And then there was the weather: just to rub that England defeat home, the sky obstinately refused to brighten, preferring to mourn in a fraternal shade of the infamous bluish-grey. It was cold. We needed a rush of energy, but all we got – with a couple of exceptions – was mellow, verging on comatose.

Not that it was surprising. The trouble with bringing together a cast of Masters of Music – a pleasing pun for the event's sponsor – is that they are 30 years past their best, or at least their most important, days. The canonisation of any rock star founders on this premise. Do not believe what they say about growing, maturing, developing; this concert would have been epochal in 1966, today it was mildly interesting and at times immensely frustrating.

The exception to the bill, a half-hearted concession to the times, was Alanis Morissette, a Canadian singer-songwriter of tender years but bitter sentiments. She was chosen to provide a surge of youthful dynamism, but one wondered if she had quite got the hang of this good-natured, open-air love-in-the-park business. Her best song, and the highlight of her short set, was "You Oughta Know", a song of disturbing vitriol from one so young.

It is addressed to a lover who has spurned her: "And every time I scratch my nails down someone else's back I hope you feel it ... well can you feel it?", she asked, and we tensed our shoulder blades in response. A good song, played with commitment and energy: but carnival-time it was not.

Determined not to be outdone, another singer-songwriter of some repute, Bob Dylan, gave a sprightly outing to a rancorous masterpiece of his own. The final line of "Positively 4th Street" is a real charmer: "I wish that for just one time, you could stand inside my shoes. You'd know what a drag it is to be *you*." We clapped politely out of self-disgust. Or, more likely, out of pretence that we understood what he was on about.

For it is a characteristic of Dylan's recent performances that his lyrics are rendered as incomprehensible as possible. One wonders if it is out of wilfulness or something altogether more banal, like memory lapse. It is as if he wants to get to the end of the line before he forgets it, discovers when he gets there that the music is three seconds behind, and consequently lets out a vowel sound of indeterminate nature to fill out the time. Thus in "Just Like Tom Thumb's Bluas": "SweetMelinda,the peasantscallherthagoddess of . . . gloooeuuum. ShespeaksgoodEnglish andsheinvites youupintoher . . . roooeuuum."

For hard-core Dylanologists, these variations of time and space, as in a good episode of *Star Trek*, are tiny but significant insights into profound happenings. But the rest of Saturday's crowd was left cold, and applauded Dylan with the reverence one reserves for a fine piece in the *Antiques Roadshow*. Dylan, true to form, said nothing.

To be fair, the acoustic part of his set was occasionally lovely, "Tangled Up in Blue" and "Don't Think Twice" benefitting from sweat mandolin-based arrangements, but it is hard to forgive the assassination he otherwise inflicts on such superlative songs.

The Who – or rather the three remaining members thereof – spared no energy in *an attempt* to rev up the proceedings. They had not played together on a UK stage for seven years, so the components of this most chemically explosive of bands were fizzing in their test tubes in readiness.

But *Quadrophenia*, receiving its stage premiere 23 years after the album's release, was never going to be the work to release all thet energy. More *complicated and* self-indulgent than *Tommy*, it needed pruning, although when the band did get going – "The Real Me", "5:15" – *there was some magic.*

The use of actors detracted rather than added to the spectacle, although Trevor McDonald delivered his lines *immaculately (has he considered* a career as Dylan's voice-coach?) and Gary Glitter's hyperactive performance made Roger Daltry look subdued – not *surprising* as Daltry was sporting an eye-patch *to* conceal a *rehearsal* injury.

As the odd break began to appear in the sky, Eric Clapton took the *stage* to a warm ovation. Here, surely, was the man who would get *things moving*; but instead we had yet another error of judgment – a shuffling, acoustic version of "Layla" when the occasion damanded a full-blown, no-licks-barred blast of the original. But that is not Clapton's way these days. His stage presence *is* the *polar* opposite of Dylan's: smooth, attentive to detail, almost fussy. You could watch on the video screens the number of times he twiddled *the volume control* on his Stratocaster in mid-solo to get things exactly right. He was accompanied on guitar by the equally smooth Andy Fairweather Low, who used to sing "Bend Me Shape Me" with a wide-eyed sense of infinite possibility but has now been transmuted into an owlishly cool cultural studies lecturer.

Clapton is undoubtedly a *Master of guitar-playing*, though perhaps not of showmanship. He has gone beyond that, preferring to coax his band through the changes. The further back in time they went, the better they sounded. The Cream material – "Badge" and "White Room" – made a lot *more sense than* the insipid "Wonderful Tonight", and the blues was terrific.

Masters of Music was the first rock concert to be held at Hyde Park *for 30 years*. It *was* sanctioned by royalty, sponsored by *a* credit card company, superbly organised, and left 150,000 people smiling into the *night*. But rock music played by 50-year-olds can only ever provoke smiles. The lead character of Pete Townshend's *Quadrophenia* has his life turned upside down by music. But like the mods and rockers *of Brighton beach*, that *quaint* idea belongs to a different age.

Masters of Music, for The Prince's Trust, was sponsored by MasterCard International.

Cubby Broccoli

The man with the golden gun

No one devoted to the topsy-turvy world of cinema could be surprised that it took a Scottish actor and an American producer to create the perfect English hero.

In the 1960s Albert "Cubby" Broccoli, who died on Friday aged 87, teamed up with Sean Connery to patent the most successful serial action man in film history. By the time the New York-born producer was making his 17th James Bond adventure, *Goldeneye*, with his fifth 007 in Pierce Brosnan, the series had earned more than £1bn worldwide and it was estimated that half the world's population had seen a Bond movie.

One is tempted to wonder where the other half has been hiding during the 35 years since *Dr No*. Adapting author Ian Fleming's male chauvinist superspy for the screen, Broccoli and his first partner, the Canadian Harry Saltzman, imprinted Bond on everyone's minds like an instant logo: the dinner jacket, the phlegmatic smile, the quipping innuendoes, the rapid-reflex gunplay.

This hero was equally at home leaping from tall buildings and propping up a cocktail party.

His birth in the 1960s meant he could also be a suave ladykiller in that window of opportunity between post-Second World War puritanism and today's alliance of political correctness and medical pandemics.

Probably only an Anglophile foreigner could have fashioned anything quite so "British" as Bond.

Broccoli was born in 1909 in Long Island, New York. His first career was in market gardening. Then in the late 1930s he became an assistant director in Hollywood, where his jobs included wrangling with the Indian extras on Howard Hughes's notorious *The Outlaw*, in which Jane Russell's specially cantilevered bosom was more to the fore than were any cowboys or Indians. (Hughes's hobby at that time was designing bras.)

Settling in England in the 1950s, Broccoli founded Warwick Productions and embarked on a 10-year production slate of *startling* variety. One year it was wall-to-wall physical heroics with *Hell Below Zero* and *Cockleshell Heroes*. Another it was Peter Finch caressing a green carnation in *The Trials Of Oscar Wilde*.

The two styles could be said to have meshed in *Dr No*: slam-bang action plus high-style dilettantism. As well as bombs and "birds" there were bons mots, even a joke about Goya.

The mixture of sex, snobbery and derring-do proved so popular that the film's successors could hardly be turned out fast enough.

From Russia With Love, *Goldfinger*, *Live And Let Die* and others followed, with several different stars trying on the smirk and black tie after Connery's departure, until the series ran out of Ian Fleming titles and had to invent its own.

The Broccoli-Saltzman partnership survived for 15 years, helping en route to ensure the survival of the British film industry. The country could thank the Bond series for the inflow of cash and increased employment as well as the revival and refurbishment of Pinewood Studios. The specially built "007 stage" was for many years the largest in the world.

In 1982 Broccoli was honoured at the Oscars with the prestigious Irving G Thalberg memorial award, which has also been bestowed on Alfred Hitchcock, Cecil B DeMille and Steven Spielberg. He was also named Commandeur des Arts et des Lettres by the French government.

The honeymoon with Britain ended in 1988 when, despite well-publicised pleas from the Duchess of York, the now independent Broccoli moved production of the 16th Bond film *Licence To Kill* abroad.

Spurning Britain's restrictive union practices and tightened tax policies, he estimated he would shave $3m (£1.9m) off his $20m budget by filming in *Mexico* and *Florida*. The Bond films have not returned since.

Broccoli's is one of those careers, though, that would never have settled for a routine happy ending for either him or anyone else. What he preferred, and what his commercial acumen may have ensured, was no ending at all: at least to his most remunerative movie hero.

He left the Bond franchise to his family, secure in the knowledge that the last film *Goldeneye* had been among the most profitable of all.

INTERNATIONAL
ARTS GUIDE

■ AMSTERDAM

DANCE
Het Muziektheater
Tel: 31-20-5518117
● Het Nationale Ballet: perform Balanchine's The Four Temperaments to music by Hindemith, The Prodigal Son to music by Prokofiev and Symphony in C to music by Bizet. Part of the Balanchine Summer Festival; 8.15pm; Jul 3
EXHIBITION
Rijksmuseum Tel: 31-20-6732121
● Disegni. *One eeuwen* Italiaanse tekenkunst uit eigen bezit: exhibition featuring a selection of 80 drawings by Italian *artists* from the 15th to the 18th century. Included are works by artists such as *Pierio di Cosimo*, Sebastiano del Piombo, Frederico Barocci, Carlo Marata and Giambattista *Tiepolo*; to Aug 4

■ BERLIN

EXHIBITION
Neue Nationalgalerie
Tel: 49-30-2662662
● Georg Baselitz: large retrospective exhibition devoted to the work of Georg Baselitz. The display includes some 100 paintings and 10 sculptures from European *and American collections*; to Sep 29

■ CHICAGO

EXHIBITION
Art Institute of Chicago
Tel: 1-312-4433600
● Affinities: Chuck Close and Tom Friedman: this exhibition brings together the works of veteran artist *Chuck Close and emerging artist* Tom Friedman, demonstrating a link *between the two artists who share* an obsessive working method that results in highly complex surfaces. *Alongside Close's often enormous* two-dimensional portraits, in which ink dots, fingerprints, circles of pulp *paper* and painted markings merge into starkly realistic faces, the display features Friedman's sculptures made from the most unexpected, common, and *sometimes humorous materials* such as a single aspirin, soap, play-doh, pencil shavings, and toothpicks; to *Jul 28*

■ COPENHAGEN

CONCERT
Tivoli Concert Hall
Tel: 45-33 15 10 01
● Tivolis Symfoniorkester: with *conductor/cellist* Heinrich Schiff perform works by Dutilleux, Debussy and *Ravel*; 7.30pm; Jul 4

■ FRANKFURT

EXHIBITION
Deutsches Architekturmuseum
Tel: 49-69-2128471
● Erich Buchholz (1891-1972). Architekturentwürfe, Innenraumgestaltung und Typographie eines Universalkünstlers *der frühen zwanziger Jahre*: exhibition of a collection of 70 drawings, created between 1922 and 1928 by the German artist and architect Erich Buchholz; to Sep 8

■ LONDON

EXHIBITION
Dulwich Picture Gallery
Tel: 44-181-6935254
● Dutch Flower Paintings, *1600-1750: this exhibition includes* works by Ambrosius Bosschaert, Van Huysum, Rachel Ruysch, Jan *Davidsz de Heem* and Balthasar van der Ast and are from private collections; from Jul 3 to Sep 29
National Gallery
Tel: 44-171-7472885
● *Degas as a Collector*: this exhibition features Degas' collection of paintings, drawings and prints. The display includes works by Ingres, Delacroix and Manet; to Aug 26
● Degas: Beyond Impressionism: this exhibition features the late work *of Edgar Degas. Degas achieved fame with his pictures of the ballet and the racecourse*, but he continued to work long after this period, often experimenting with *new techniques and subjects*; to Aug 26
OPERA
Royal Opera House - Covent Garden Tel: 44-171-2129234
● *Don Carlos: by Verdi*. Conducted by Bernard Haitink and performed by the Royal Opera. *Soloists include* Karita Mattila, Martine Dupuy, Roberto Alagna and Robin Leggate. Part of the Verdi Festival '96; 6pm; Jul 1, 4

■ MADRID

EXHIBITION
Museo Nacional Centro de Arte Reina Sofia Tel: 34-1-4675062
● *Cindy Sherman*: exhibition of a selection of some 70 photoworks featuring examples of the "Untitled *Film Stills" of 1977-1980 which* brought Sherman international recognition. Also on show are works from her most extreme photo-series "Disgust Pictures" (1986-1989), "Sex *pictures" (1992) and "Horror* Pictures" (1995), the most recent of which have not been exhibited previously; from Jul 8 to Sep 22

■ NEW YORK

EXHIBITION
MOMA - Museum of Modern Art, New York Tel: 1-212-708-9400
● From Bauhaus To Pop: Masterworks Given By Philip Johnson: exhibition on the occasion *of the ninetieth birthday of architect* Philip Johnson, honouring seven decades of contributions by one of the MOMA's *most* dedicated supporters. The show features *paintings, sculptures and drawings*, as well as posters, design objects, and architectural models and *drawings*. In *conjunction* with the exhibition, Johnson has organized a *special installation of works in* The Abby Aldrich Rockefeller Sculpture Garden, the space he designed in 1953; to Sep 3
MUSICAL
Shubert Theatre
Tel: 1-212-239-6200
● Big: by John Weidman, Richard Maltby Jr and David Shire. Directed by Mike Ockrent and choreographed by Susan Stroman. Leading the 30-member cast is Daniel Jenkins as Josh. *Also featured in the cast are* Crista Moore, Jon Cypher, Barbara Walsh, Gene Weygandt, Brett Tabisel and Patrick Levis; Mon - Sat 8pm, Sun 2pm, Wed, Sat also 2pm; to Nov 30

■ PARIS

EXHIBITION
Galerie Nationale du Jeu de Paume Tel: 33-1 47 03 12 50
● *Un siècle de sculpture anglaise*: exhibition focusing on 20th-century British sculpture. The display includes works by Henry Moore, Barbara Hepworth, Tony Cragg, *Richard Deacon, Jacob Epstein*, Gilbert & Georga, Richard Long and Bill Woodrow; to Sep 15

■ STRASBOURG

JAZZ & BLUES
Palais de la Musique et des Congrès *Tel: 33-88 37 67 67*
● Dave Brubeck Quartet: perform jazz music. Part of the Festival de Jazz; 8.30pm; Jul 8

■ SYDNEY

EXHIBITION
The Powerhouse Museum
Tel: 61-2-2170111
● *Treasures from the Kremlin*: the world of Fabergé: five of the remaining Fabergé Easter Eggs designed and created by the Russian jeweller Peter Carl Fabergé *are among the works featured in this* exhibition. The exhibits come from the collection of the Armoury Museum at The Kremlin and include approximately 250 objects made of gold, silver and semi and precious stones, ornate religious icons, the luxorious coronation gowns of the last Russian Tsar and Tsarina, *Nicholas II and Alexandra*, and the Tsarina'a personal sketch book used to outline orders from the House of Fabergé; from Jul 2 to Sep 20

■ VERONA

FESTIVAL
Arena di Verona
Tel: 39-45-590109/966/726
● *Festival dell'Opera*, Balletto, Concerti all'Arena di Verona: annual open air opera and *ballet* festival in the arena, a Roman amphitheatre that can seat 20,000 people. This *year's programme includes* performances of the operas Carmen, Nabucco, Aida and Il Barbiere di Siviglia; from Jul 5 to Sep 1

■ WASHINGTON

EXHIBITION
National Gallery of Art
Tel: 1-202-7374215
● Olmec Art of Ancient Mexico: the show provides a panoramic overview of tha artistic achievements of *Mexico's oldest civilisation* and explores their possible significance for Mexican culture. The 128 works on display include 17 Olmec monumental sculptures from Mexico's museums and archaeological parks; to Oct 20

WORLD SERVICE
BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
(Central European Time)

MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 15.00 of European business and the financial *markets*

17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Michael Prowse · America

The risks of a crash

Greenspan has stabilised the real economy but may regret his failure to curb a speculative rise in share prices

The betting on Wall Street is that the Federal Reserve will not raise short-term interest rates at this week's policy meeting, but may tighten its monetary stance later this summer. This judgment is probably correct, although Mr Alan Greenspan is quite capable of surprising markets by opting for an early rate increase. Having just been confirmed for a third (and surely final) term as Fed chairman, he is more independent of political pressure than ever before.

Conventional reasoning on rates is easily explained. The role of a central bank is not to curb economic growth; it is to keep inflation low, as measured by increases in consumer prices or some equivalent index. The fact that the US economy has rebounded more strongly than expected this year and will probably grow at an annualised rate of about 4 per cent in the second quarter should not, in itself, be seen as a source of concern. Growth is bad only if it puts undue upward pressure on wages and prices. As severe strains are not yet evident, the Fed has no reason to tighten policy.

This logic may appear sound, but it is worth remembering that a central bank's responsibilities can sometimes extend beyond the maintenance of price stability at the consumer or wholesale level. Think of the 1920s. The Fed did a marvellous job of stabilising the price of goods, but it failed to take any action to curb an extraordinarily rapid rise in share prices.

Eventually, the speculative bubble burst in the great stock market crash of 1929. The severity of that crash almost certainly contributed to the depth of the subsequent economic depression. With the benefit of hindsight, the Fed should have paid more attention to equity valuations: if it had run a tighter monetary policy and crushed speculation, the course of economic history might have been very different.

Under Mr Greenspan, the Fed has successfully stabilised the price of goods, just as it did in the 1920s. But as in the earlier period, it has passively watched share prices soar to previously unimaginable levels. Sceptics, no doubt, will claim recent share price rises bear no resemblance to those in the 1920s: today's gains reflect solid improvements in corporate earnings whereas those of the prior period were purely speculative.

Perhaps, but that is not what experts believed at the time. Shortly before the 1929 crash, Professor Irving Fisher of Yale, probably the most respected economist of the day, declared that share prices had reached "what looks like a permanently high plateau". The market, he explained later, had gone up "principally because of sound, justified expectations of earnings".

Although it would be wrong to exaggerate the parallels, there are broader similarities between the two periods. The 1920s, like the 1990s, was an era of rapid technological change. This boosted productivity growth and business profits - and probably contributed to growing inequality of incomes. Wages did not rise much but prices were stable and there was a sense of growing affluence. As John Kenneth Galbraith relates in his book *The Great Crash*, President Calvin Coolidge's state of the union address in December 1928 was one of the most optimistic on record: "In the domestic field there is tranquility and contentment. . .and the highest record of years of prosperity. In the foreign field there is peace, the goodwill which comes from mutual understanding. . ."

The dilemma then and now is that efforts to stabilise the real economy can contribute to speculative excesses in financial markets. Small investors were lured into financial markets in the 1920s precisely because the business climate looked so promising. The same "I cannot lose" mentality has resurfaced in the 1990s. Net investment in equity mutual funds has risen exponentially because Americans have come to regard them as a kind of super bank account that yields a huge return at little or no risk. In the first five months of this year equity funds collected an astonishing $124bn, close to the $129bn received in the whole of last year.

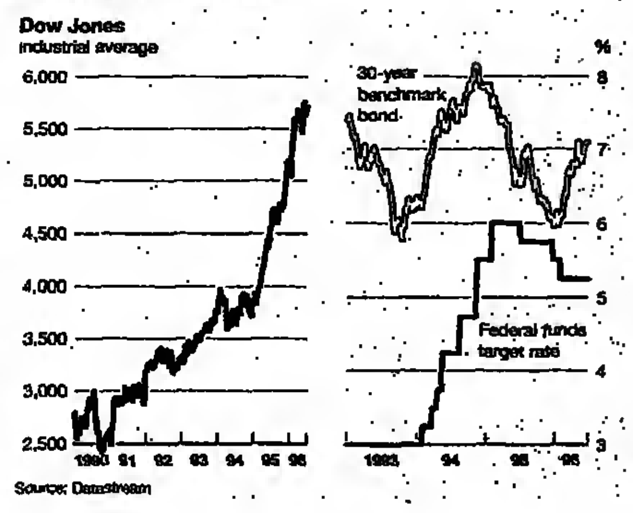
At what point, if any, should the Fed have taken equity prices into account in setting monetary policy? There can obviously be no "right" answer if only because the current level of shares may turn out to be fully justified by economic "fundamentals". But if it made a mistake, it probably occurred last year. Until the end of 1994, share prices seemed plausible in the light of profit prospects and interest-rate trends. It is the 45 per cent increase since then that looks anomalous, coming as it did at the end of a 12-year bull market in equities. Can the real value of US corporate assets really have gone up by nearly a half in so short a period?

If the Fed had wanted to stabilise equity markets, it would have raised short-term interest rates last summer, or at least held them steady. Instead, alarmed by an apparent softening of demand, it lowered rates. Yet the economy was not fundamentally weak: it was undergoing a temporary "inventory correction" made necessary because companies had accumulated excessive stocks of unsold goods. The monetary stimulus, not needed by the real economy, went straight into an already inflamed stock market.

This benign neglect of equity prices may prove justified. Share prices could simply remain on a high plateau. Alternatively, a market correction of just the right magnitude may occur as in 1987, when a sudden drop in equity prices killed incipient inflationary pressures without harming the real economy. But it would be unwise to count on so happy an outcome.

There is surely a prudential case for trying to induce a modest correction of share prices while the economy is strong, to minimise the risk of a more destabilising collapse later. This would imply taking back the monetary ease of the past year by raising short-term rates gradually. Given creeping upward pressure on wages and prices, this would also be the right medicine for the real economy.

Waiting on the Fed...



Source: Datastream

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e.mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Health and safety no ruse to circumvent opt-out

From Mr Steve Hughes MEP.

Sir, Lionel Barber's article "Own goal over extra time" (June 27) suggests that the EU's use of health and safety provisions in Article 118a of the 1986 Single European Act (SEA) as the legal base for its directive on working time looked "to suspicious British eyes . . . like a ruse to circumvent the UK's social policy opt-out".

This should not be allowed to leave the impression that ministers are justified in harbouring such suspicions. The UK's opt-out is entirely irrelevant in this context and Mr Major's reported anger at such alleged circumvention can only be of the synthetic variety. Three facts should help clarify the situation.

First, the working time directive was indeed based on the majority-voting social chapter provisions of the 1986 SEA and, as such, it was actually brought forward by the European Commission months before the UK had even negotiated an opt-out from the separate and much later Maastricht social chapter.

Second, the majority-voting social chapter provisions of the SEA were agreed to by Mrs Thatcher's mid-1980s Conservative government. Those provisions and the directives agreed under them therefore apply in the UK as well as the other EU member states.

Third, the Advocate-General's recent preliminary ruling (and the expected ruling of the Court of Justice) was on the question referred to the court by the UK government: are the relevant provisions of the SEA an acceptable legal base for a directive on working time? The answer so far is yes.

This question relates to provisions which considerably pre-date the opt-out; provisions which a Conservative government subscribed to and which apply unequivocally in the UK.

Ministers pretending otherwise are simply attempting to sow further seeds of confusion and doubt.

Stephen Hughes,
president of the European parliament's social affairs and employment committee.
European parliament,
Rue Belliard 97-113,
B-1040 Brussels,
Belgium

Tolerant way forward

From Mr Clive Turner.

Sir, So some US writers from the National Bureau of Economic Research have just published a book telling us that workplace bans on smoking reduce the opportunity to smoke and so cut back personal consumption.

What an amazing finding! Is anyone rushing forward to purchase this fount of knowledge with its stunning conclusion? In the UK, similar results might be found were there to be some extensive workplace research. But what it would not necessarily reveal is the degree of illicit smoking, or the extent of the new puritan attitude of frowning upon and outlawing a legal pursuit so that, increasingly, employees gather in little knots outside their place of work like social pariahs.

That said, some of the more enlightened employers provide facilities for both smokers and non-smokers. They have a smoking policy not a total discriminatory ban.

That seems to be the sensible way forward, and, importantly, does not provide a platform for those whose desire is to occupy the moral high ground and dictate personal lifestyle.

Clive Turner,
executive director,
industry affairs, Tobacco Manufacturers' Association,
55 Tufton Street,
London SW1P 3QF, UK

French monopoly still very much alive

From Mr Rene Jean LeGoff.

Sir, As a French citizen, paying a lot of taxes, I have been expecting for a while that the liberalisation of the French economy will dramatically improve my day-to-day life. The Financial Times often mentions the efforts of French state-owned monopolies to establish a more competitive market. However, my experience is that some of these monopolies are still very much alive!

One good example is France Telecom. At the same time as its management is moving the organisation towards complying with European liberalisation rules, it is doing things which, for a normal customer, are difficult to accept. By July 1, any private customers of France Telecom who have three telephone lines or more – which may well be the case if you have a fax machine and children at home – will be considered as a business and will have to pay a monthly subscription which is double the normal subscription for a private use.

There is no way to escape this other, possibly, than by having one of the lines withdrawn. This is what I am doing. It is completely crazy. It will probably reduce my telephone bill, but it also reinforces my conviction that, without competition, there is no way clients can be satisfied.

State monopolies are like dinosaurs, but before disappearing they are doing so many things wrong that nobody will complain about the disappearance of what they call a "public service".

Rene LeGoff,
consultant,
11 avenue de Diane,
94100- Saint-Maur,
France

Proof that protest can aid human rights

From Mr Angus W.L. Thomas.

Sir, To say in your editorial "Bonn in the China shop" (June 26) that "public German protests will do little to help the people of Tibet" is simply not true. The fact that you chose the subject for your editorial is proof of that.

The situation in Tibet will only change once more governments take on the Chinese not on the territory of human rights but where it hurts them most – trade. A prosperous China will not alter its appalling human rights record nor end its illegal occupation of Tibet. China is only able to maintain its appalling position so long as it is being funded by international trade.

Angus W.L. Thomas,
29 Chiddingstone Street,
London SW6 3TQ, UK

Of interest, if only it had been available to read

From Mr Emilio Gabaglio.

Sir, Your readers in Britain were able to read last Tuesday that "TUC chief urges Blair to back Emu". John Monks apparently said a number of interesting things, such as that "monetary union was a moment of destiny for the Labour leader . . . the balance of advantage lay in Britain joining the single currency . . . if we stayed out, the markets would make their judgment that Britain is a potential candidate for devaluation. We would pay an interest rate premium . . . it was time to prepare the public for a decision on Emu and rise above the petty nationalism that was clouding the issue today".

I say apparently because the interview, despite having being given in Brussels, was not carried in the European edition we receive. I can assure you it would have been of interest.

Emilio Gabaglio,
general secretary,
European Trade Union Confederation,
155 Bd Jacqmain,
Brussels B 1210, Belgium

Personal View · Donald Tsang

Hong Kong's four pillars

The colony's future as a world-class financial centre is guaranteed by its constitution

At midnight on June 30 1997, one year from now, Hong Kong will undergo a remarkable transformation. Britain's last significant colony will become a special administrative region of the People's Republic of China. And yet, if all goes to plan, Hong Kong's way of life will remain unchanged.

The plan is set out in the Sino-British Joint Declaration of 1984 and the Basic Law, which will be Hong Kong's mini-constitution after the change of sovereignty. Article 109 of the Basic Law is of exceptional importance to the business community.

It states: "The Government of the Hong Kong Special Administrative Region shall provide an appropriate economic and legal environment for the maintenance of the status of Hong Kong as an international financial centre."

I know of no other leading financial centre which is governed by such a constitutional provision to secure the future of its financial services sector. This important undertaking has already done a great deal to attract and anchor foreign investment in Hong Kong. In 1994, the value of foreign direct investment in the territory amounted to US$95bn (£60bn). In 1995, the capitalisation of the securities market moved rapidly above US$300bn to confirm Hong Kong's position as the largest securities market in Asia after Tokyo.

It has become part of the conventional wisdom on Asian economic development that early in the next century a new world-class financial services centre will emerge in east Asia. The economic success of the region, its high savings ratios and need to invest in physical and social infrastructure seem to many observers to make such a development inevitable. I agree, and I am sure that this world-class financial centre will be located in Hong Kong.

My confidence is based on the way that Hong Kong has established the necessary conditions for success. It takes a lot more than ample business opportunities to develop a leading financial centre. Nor is it simply a matter of investing in advanced physical infrastructure, state-of-the-art telecommunications, or even a highly productive and well-educated workforce.

In my view, there are four defining qualities of a leading financial centre – four pillars that Hong Kong has and that will underpin its comparative advantage as a financial centre.

The first of these pillars is the rule of law. The law must reign supreme in any successful financial centre. Contracts have to be enforceable, corruption has to be a high-risk activity and the rules have to be both clear and enforced without reference to commercial influence or political clout. The government and all official bodies must be subject to the same laws as the rest of the community.

This is one of the essential tests of the credentials of any aspiring financial centre. To put it simply, it amounts to asking whether the law does actually rule. Does the statute book take precedence over the actions of the government and its agencies and over the ambitions of those with influence to peddle?

Hong Kong is fortunate to possess a long-established common law tradition, and this framework will continue after June 30 1997. Hong Kong is, and will continue to be, a law-abiding community. It is a community in which the law is there to be applied and enforced rather than ignored or circumvented.

> Any international financial centre must ensure it provides equal and equitable treatment for all, regardless of nationality

The second pillar supporting Hong Kong's efforts to create a world-class financial centre is its commitment to enterprise and to fair markets. It is not only a matter of leaving businessmen and women to make business decisions. Of course this is essential, but so too is the regulatory framework which exists to keep the colony's markets fair and transparent.

Any international financial centre must ensure that it provides equal and equitable treatment for all, regardless of nationality, political connections or size of business. What this has meant in Hong Kong is that the government treats all businesses and investors alike, whether they are British, American, Japanese or Chinese.

This policy of equity and nationality-blindness governs our approach to the procurement of goods and services and to the granting of franchises, for example to run public utilities and transport services. The playing field is level in Hong Kong. It will remain level because we know there will be a high price to pay if the field is ever tilted one way or the other.

The third pillar is Hong Kong's corruption-free public service. Hong Kong has refused to compromise with corruption. It has established an anti-corruption culture which has been vital to the development of its financial services sector.

Corruption inflates transaction costs, makes returns on investment unpredictable and distorts the price mechanism. Any trading community which allows corruption to impose unpredictable costs on commercial transactions will never establish itself as an important financial services sector.

I believe Hong Kong's economic take-off in the late 1970s owed much to the establishment of the Independent Commission Against Corruption. The commission stamped out organised corruption in the public sector and we now have a small, efficient, open and accountable government which is free from corruption.

The fourth pillar underpinning our success as a financial services centre is our commitment to the free flow of information. This is not simply a matter of the free flow of financial data. It demands a commitment to a free, diverse and robust press. It demands too an acceptance of political and social diversity.

International investors need to know not only how the financial markets are moving on their Reuters or Bloomberg screens. They also need to know what is happening off-screen and in the streets. They need to be able to gauge the relationship between the community and its government.

Investors need all this information because they need to be confident about the political stability of the place in which they have based their operations and investments. An artificially restrained press reflects an imperfect and unattractive market for international investors.

In Hong Kong, we take these issues very seriously. We recognise that what I have described as the four supporting pillars of our financial services sector are our cutting edge in the international marketplace. We know our success as a leading international financial centre, our success as a community, depends crucially on the promises in the Joint Declaration that our present freedoms and our way of life will be preserved after the change of sovereignty.

I am convinced this is well understood by the Chinese leadership. They have incorporated the Joint Declaration's promises in the Basic Law. They know that Hong Kong's long-term success depends on the concept of "one country, two systems" becoming an economic, social and political reality from July 1 1997. And China's honour rests on this.

The author is Hong Kong's Financial Secretary.

COMMENT & ANALYSIS

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Monday July 1 1996

Test ban talks in trouble

At the Group of Seven summit in Lyons, there was much glib talk of a partnership between the industrialised and developing worlds. But future historians may conclude that the real balance of global power was being fought out in other places, such as the Geneva talks on a Comprehensive Test Ban Treaty.

The failure of the CTBT talks to reach a conclusion by the agreed deadline of last Friday was an ominous reminder of the huge gap in perceptions between the world's old, established powers and its new, rising ones. No less than the economic questions debated in Lyons, the future of nuclear weapons is a crucial north-south issue.

The CTBT talks foundered after the refusal of India to renounce nuclear tests unless the five declared nuclear powers accepted a timetable for total nuclear disarmament. This led to deadlock over the terms on which a CTBT should enter force.

Russia and China insisted that the treaty should only become binding after ratification by the five existing nuclear states plus three countries on the threshold of nuclear status: India, Pakistan and Israel.

India's demand was so unrealistic that it appeared to be an excuse to avoid signing up. But the terms in which India presented its argument are a good illustration of the grievances that many developing nations feel. They cannot accept that five countries should indefinitely enjoy the global influence that nuclear weapons bestow, while all other nations are indefinitely denied it.

Like the G7, which over-represents Europe and under-represents Asia, the world's nuclear system looks in many lights like an anachronism, based on yesterday's world order. But unlike the G7, the current nuclear club cannot be expanded without dire and possibly uncontrollable consequences.

Given that the nuclear status quo is unacceptable to many countries, there is only one alternative: established nuclear powers must show minimal good faith in negotiating downwards their own arsenals, and avoid fuelling the suspicion that they would secretly prefer to go on improving their nuclear capacity.

France aroused that suspicion with its tests in the Pacific, and Britain may inadvertently have done so by backing Russia and China in their tough terms for the CTBT's entry into force.

The CTBT negotiators reconvene in one month for a final attempt to agree in time for the UN General Assembly in the autumn. They should be prepared to accept a compromise that would allow the treaty to become valid before India ratifies it. While it is obviously desirable for the treaty to be as inclusive as possible, India's obstinacy should not be an excuse for others to abandon their commitment to ending nuclear tests. If the talks collapse, the damage to international relations will be too great for any worthy G7 communique to correct.

Turkey's choice

Last Friday, June 28, 1996, is likely to be remembered as a turning-point in Turkish history. Ever since the republic was founded by Mustafa Kemal Atatürk in 1923, secularism has been seen as an integral component of Turkish nationalism, and since 1937 it has been officially enshrined in the constitution as one of the fundamental principles of the state. But now a government has been formed by the leader of a party whose political philosophy is explicitly based on Islam. Has the clock been put back to the 1920s?

Hardly. Turkey has changed profoundly since then. The new prime minister, Necmettin Erbakan, and his supporters are themselves children of the secular republic. They have come to power through the ballot-box, and are pledged to respect the constitution. They will be held to that pledge by their coalition partners, by the president, and above all by the armed forces. The latter have acted wisely, if reluctantly, in respecting the wishes of the electorate as expressed in last December's election - and have thus avoided the grievous error of their Algerian counterparts in 1992.

Tansu Çiller, prime minister until four months ago, returns as deputy premier and foreign minister. Her True Path party will also control the interior, defence and education ministries. Its role will be to protect the police, the armed forces and the school system from further infiltration by Islamist militants, and to preserve the continuity of Turkey's pro-western foreign policy. Unhappily, that means there will also be continuity in the state's intransigently nationalist response to the demand for recognition of a separate Kurdish identity and culture. The vicious war in the south-east, with its attendant human rights violations, will go on.

Meanwhile, Mr Erbakan's Welfare party, through its control of the relevant ministries, will seek to give an Islamic slant to Turkey's official culture and its judicial system. More important, it will control the economy and public spending. This is good. A party which hitherto has exploited economic grievances with skilful but shameless populism will now have to make real political choices.

Either it will make the hard decisions which Turkey desperately needs, taking drastic action to reduce the public sector deficit (which means cutting the size of the public sector itself), or it will seek to gratify its supporters through public expenditure, as Mr Erbakan did when he was industry minister in the 1970s. In the former case, it should be well placed to convince the public that such measures are really necessary. In the latter, it will swiftly bring about hyperinflation and the collapse of the currency, but in the process will demonstrate that it has no miracle cure for the country's ills. Either way, the lesson will be painful but salutary.

Lessons at Wickes

Corporate governance has been one of the great growth industries of the 1990s. Many in the British boardroom feel that there is far too much of it about. But while this instinctive hostility to bureaucratic procedure is understandable, it remains misguided. The point is well illustrated at the troubled do-it-yourself retail group Wickes, whose chairman and chief executive Mr Henry Sweetbaum resigned abruptly last week after the discovery of serious accounting irregularities.

A classic syndrome that crops up in successive corporate disasters is that of the over-dominant boss. Frequently he combines the roles of chairman and chief executive. He may also be hard-driving and charismatic. And it is not unusual for such people to have a happy knack of turning up in flattering profiles in the Sunday press. That syndrome accompanied many of the failures that shocked the business establishment into setting up the Cadbury Committee on corporate governance. It is also a description that fits the Wickes case rather well.

Mr Sweetbaum was once an associate of the maverick US financier Mr Saul Steinberg, and went on to acquire a reputation for turning around troubled companies. It was he who steered Wickes to the stock market after its US parent went into bankruptcy proceedings in the early 1980s. Mr Sweetbaum subsequently hit trouble with an ill-judged acquisition in the overheated markets of the late 1980s. Yet this did not prevent him from re-establishing a following among the investment institutions.

The Cadbury Committee was hostile to the concentration of power in the hands of a single individual. It proposed that "where the chairman is also the chief executive it is essential that there should be a strong independent element on the board". At Wickes, the ages of the five non-executive directors last year averaged 65; the oldest, Mr Sanford Kaplan was 79. Among them were such former colleagues of Mr Sweetbaum as Mr Sanford Sigoloff, until recently chief executive of Wickes in the US, who was a favourite client of the (now disgraced) junk bond financier Michael Milken. Two of the three non-executives on the audit committee were septuagenarians. Whatever the individual merits of the Wickes non-executives, this was not a perfectly balanced board.

Full judgment must await the accountants' reports. But the coincidence of imperfect governance arrangements, financial problems and big bonuses based on questionable profits is striking. This was a board that could and should have been strengthened through institutional pressure. It all serves to demonstrate that governance can make a big difference to shareholder returns. Cadbury's wisdom merits more plaudits than it customarily receives.

Turning over a new leaf

After serious economic and political difficulties there is now guarded optimism about Canada's future, says **Bernard Simon**

Just nine months ago, Canada was in convulsions. Politically, the referendum on Quebec independence threatened the unity of the country, with the secessionists gaining ground. Economically, Canada was burdened by high debt, an intrusive public sector, sky-high taxes and a weak currency.

Academic think-tanks and investment banks warned of the dire consequences of a "Yes" vote in Quebec. It would deliver such a shock to Canada's economy, they predicted, that an industrial country might for the first time default on its debt.

Such scenarios seem like ancient history as Canada celebrates its 129th birthday today. The separatist threat has receded and the economy is beginning to reap the benefits of fiscal and monetary discipline.

Quebec's independence poll on October 31 gave the pro-Canada camp the narrowest of victories, with just 50.4 per cent of the vote. Many commentators saw the indecisive result as a recipe for further turmoil. They feared the separatists, with a charismatic new leader, Mr Lucien Bouchard, had the bit between their teeth. The federalists seemed to be in disarray.

Yet just over a week ago, Mr Bouchard sat down with Mr Jean Chrétien, the federal prime minister, and the premiers of the other nine provinces to discuss a federal infrastructure programme, a joint trade mission to Asia and other ideas for building a better Canada. Mr Bouchard even said he enjoyed the meeting.

The premiers spent only a few minutes talking about the constitution. The most discordant note came not from Quebec but the west coast province of British Columbia, which blamed Ottawa's fish-quota policies for devastating its rich salmon fishing industry.

The contrast between October 1995 and now helps explain why many investors are taking a second look at Canada. "Sentiment in both currency and credit markets has begun to turn more positive in recent months," said Goldman Sachs, the US investment bank, in a recent report. "We believe room for further improvement exists through this year and into 1997."

Mr Paul Summerville, chief economist at Richardson Greenshields, a Toronto securities firm, predicts the current account of the balance of payments, which ran a C$13bn (£6bn) deficit in 1995, will be in surplus by the end of next year. Exports, buoyed by the 1989 US-Canada free trade agreement, improved productivity and strong US demand, have soared from 28 per cent of gross domestic product in 1990 to 42 per cent in 1995.

Mr Summerville forecasts the Canadian dollar, now at 73 US cents, will be at parity with the US currency by the end of the decade. "This is a sustained event," he says.

The optimism is reflected in financial markets. Despite the conventional wisdom that Ottawa's monetary policy is a slave to the Federal Reserve in Washington, the Bank of Canada has acted independently of the Fed three times this year, pushing short-term interest rates well below US levels. Canadian banks charge a prime lending rate of 6.5 per cent, compared with 8.25 per cent south of the border.

Bond yields remain significantly higher in Canada, but the gap has narrowed by a full percentage point since the scare ahead of the referendum. Foreign purchases of Canadian bonds in April were the highest in three years. Foreign funds are also pouring into stock markets.

Growth has been slower than the US for the past few years, with gross domestic product expected to expand by only about 2 per cent in 1996. Far from being a sign of weakness, however, the lag could lay the foundation for a solid performance. According to Mr Summerville, the economy is in the throes of a fundamental restructuring, with the emphasis shifting from personal and government consumption to exports and investment.

The inflation rate, running at a year-on-year 1.5 per cent, is substantially below US levels. Unit labour costs have dropped by about a fifth in the past four years to well below those in the US. Inflation is likely to remain low for some time with substantial spare capacity in the economy and unemployment at over 9 per cent for the past six years.

On the political front, Mr Bouchard has given the pro-Canada camp a breathing space by pledging to delay the next referendum on Quebec independence for at least three years. Mr Bouchard, who took over as premier in January, has shed the image of a fiery separatist in favour of a fiscal conservative. He sensed the Québécois are unlikely to want a risky political adventure until the province's economy is in much better shape.

Repairing public finances and restoring business confidence – especially in Montreal – have become Mr Bouchard's top priority, even at the risk of alienating some of his staunchest supporters in the public sector unions. The government ordered the closure of several hospitals, plans to axe thousands of civil service jobs, and has angered women's groups by putting a proposed pay-equality law on hold.

Fiscal discipline has become a watchword at all levels of government. According to Goldman Sachs, the general government deficit will shrink from 4 per cent of GDP in 1995 to 1.2 per cent in 1997.

Goldman Sachs concludes that, "based on reasonable assumptions", Ottawa will achieve a balanced budget by US accounting standards within the next three years.

Most of the 10 provinces expect to balance their books this year. The two laggards, Ontario and Quebec, which between them make up about two-thirds of national output, have pledged to eliminate their deficits by 2001 and 2000 respectively. Alberta, which was the first province to put the brakes on its budget deficit, last week unveiled a C$1.1bn surplus for 1995-96. The squeeze has been felt most acutely by municipalities, which are caught between shrinking transfers from Ottawa and the provinces, and the refusal of voters to countenance further tax increases. Cities and towns across the country are bringing in private partners to run services ranging from water and sewage systems to community centres.

They are able to do so because public attitudes towards the role of government have changed markedly in recent years. Privatisation and foreign ownership are no longer dirty words. Canadian National Railway, the biggest federal corporation, was sold late last year to private investors, with no restrictions on foreign participation. A commission of inquiry last month urged Ontario's new conservative government to end the electricity monopoly held by Ontario Hydro, North America's biggest power utility. The proposals include the sale of Hydro's non-nuclear assets.

Some provinces have cut welfare benefits and introduced "workfare" programmes that require welfare recipients to work or undergo training. Public protest has been muted. Interest groups such as unions and anti-poverty organisations that resisted social policy reforms in the 1980s have lost influence.

How long can this benign economic and political climate last? Economists at Bank of Nova Scotia warned last week that the Bank of Canada would be "hard-pressed" to buck the Fed when US interest rates started moving up, as they might in the next month or two.

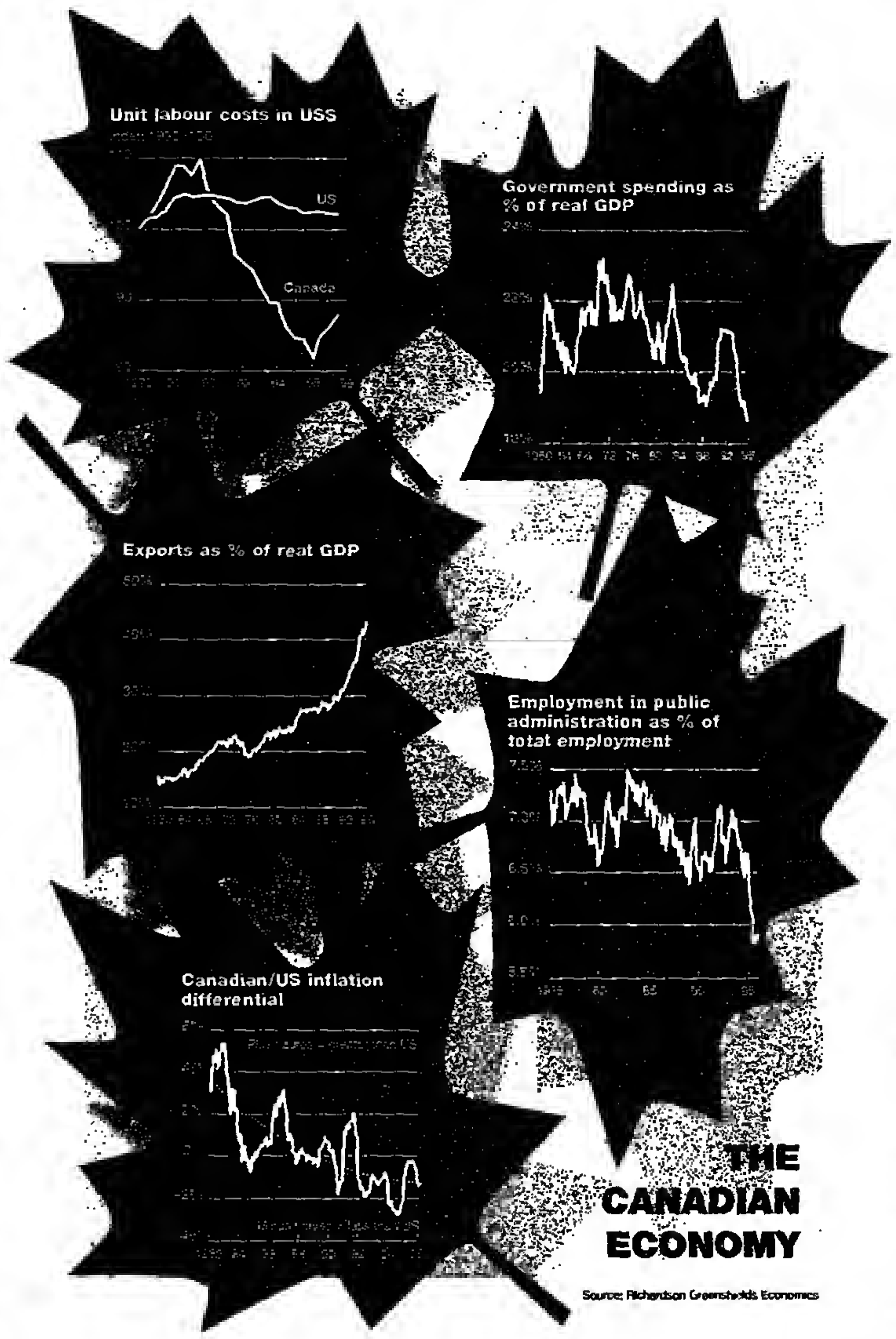
Similarly, the federal government and the provinces will have greater difficulty sticking to their budget targets in the next economic downturn if tax revenues shrink and welfare payments rise. This is especially true in the industrial heartland of Ontario, where the government hopes to produce a balanced budget even as it implements sizeable tax cuts.

The politicians' resolve to keep spending under control could slip. Voters in British Columbia re-elected a social democratic government last month on a platform of lower taxes and higher spending. Mr Chrétien's proposal to create jobs by pumping federal funds into local infrastructure projects appears to be an opening shot in the campaign leading up to the next federal election, expected next year. The purse-strings could loosen further if economic activity remains in the doldrums.

Furthermore, tension over Quebec could rise again without warning. The prospering western provinces of British Columbia and Alberta have become increasingly assertive about protecting their own interests, widening the odds on a constitutional deal acceptable to all parts of the country.

While Mr Chrétien hopes the Québecois will get the message that the federation can work to their advantage, Mr Bouchard remains as committed as ever to independence. "The chronological priority is the economy, the fundamental priority is sovereignty," he said in April.

He aims to prove that Canada can never deliver what the French-speaking province wants, no matter how much willingness he shows to work within the federation. His determination to prove his point could yet unravel much of the past year's progress.



Source: Richardson Greenshields Economics

· OBSERVER ·

Mr Image gets dented

■ Internal recriminations in Brussels about the European Commission's poor showing at the Florence summit are still rumbling on, more than a week after the event.

Last week, at the regular meeting of Brussels directors-general (the top civil servants serving the 20 EU Commissioners) one described media reports on Jacques Santer's summit performance as "catastrophic".

Others registered disbelief that Santer had staked all on a request for an extra Ecu1bn for financing European transport networks, a request that ended up being blocked by tight-fisted Germans and bolshy Brits. Santer loyalists retorted that a Commission president should not be attacked for taking political risks.

The real point is that none of those networks is near launch stage, and none is likely to create jobs any time soon. Money isn't the problem; there is simply not enough confidence in the private sector that projects such as the railway/motorway through the Brenner tunnel are financially sound.

By comparison, the summit commitment to improving enforcement of the single market, prising open world markets, and speeding up labour mobility – though less eye-catching – is far more important. Santer, a former Luxembourg finance minister, is supposed to understand all this. Maybe he does.

But his advisers have another agenda. They want to bolster his public image and make him a player alongside Kohl, Chirac et al. That's why they toughened Santer's criticism of British prime minister John Major's blocking tactics during the beef war, and why they gambled on the transport networks funding. As one put it – even bad news about the president is better than no news.

After Florence, that no longer looks so smart, nor so true.

Clockwork mice

■ You only have a little over three years in which to adjust your clocks; otherwise they might go bang. Who says so? No less than Ian Taylor, the UK's science and technology minister.

Taylor has been having sleepless nights about the so-called Year 2000 Problem – when computer systems which use only the last two digits of the year may crash because they cannot cope with the century date change from 99 to 00. Some might decide it's 1900 all over again; others might shut down in a fit of pique.

It's potentially one of the biggest problems faced by industry, public services and the military around the world, and according to some estimates could cost up to $600bn to solve.

So last week Taylor toddled off to Luxembourg to see Martin Bangemann – the European Union's industry commissioner – and several EU industry ministers.

Although the computer world has been buzzing with talk of the Millennium time-bomb for months now, Taylor's warning clearly came as a shock to Bangemann: "To my knowledge there is no work being done in the Commission about this problem," he said.

So Bangemann is calling for an examination of the problem with experts from member states, and the setting-up of a working party if necessary. That's nice; should be reporting back just in time to solve the problem for the year... 3000.

Bush on the green

■ When George Bush lost the US presidency in 1992 he had little idea it would have such a traumatic effect on his golf game.

Speaking at a business seminar in Hong Kong last Friday, Bush said that there were some advantages of returning to the status of a more or less ordinary citizen, notably that he can "go to a ball game now and not get booed".

But on the golf course, it's rather different it seems. "Playing golf as the president they would say 'that's good sir, that putt's fine. Take it, put it in your pocket'. Now I play with the same people (and they say) 'damn it George, hole it out, finish it!'"

Actually, they used to say that when he was president – just very quietly.

Labour lobbying

■ The Belgian Michel Hansenne still has another two years to go as director-general of the Geneva-based International Labour Organisation, but the lobbying for his replacement has already begun. As such juicy jobs don't come round very often perhaps we shouldn't be surprised to see this kind of unseemly jostling.

And in this case the lucky person is... none other than Ireland's president, Mary Robinson. She's the hot favourite of the trade unions, who make up one of the three parts of the body (alongside governments and employers).

Immensely popular, with a centre-left background and a strong following in the US, Robinson's own term of office ends at about the same time as Hansenne's. More to the point, she's already made it clear she doesn't want a second period as Irish president.

She's already said that she doesn't want to challenge Boutros Boutros-Ghali for the top job at the United Nations.

Maybe she just prefers Geneva to New York...

The Financial Times

100 years ago

The Presidential Campaign
Mr. McKinley, in response to formal notification of his nomination by the St. Louis Convention for the office of President of the United States, said:- "Protection and reciprocity should again command the earnest encouragement of the Government. Domestic trade must be won back; idle working people employed in remunerative occupation for American wages. It is a paramount duty to provide adequate revenue to meet the expenses of Government. The American people hold the financial honour of the Government as sacred as their flag, and can be relied upon to guard it with the same sleepless vigilance."

50 years ago

Mr. Truman's Veto
The U.S. House of Representatives has sustained President Truman's veto on the Bill to continue the Office of Price Administration (with reduced powers) by not giving a motion to override the veto the necessary two-thirds majority. Thus, unless Congress acts in the meantime, there will be no price or rent control in the U.S. after midnight to-morrow when the existing Act expires. The President said that the Bill as passed by Congress would make it impossible to prevent inflation.

Institutions press for TransCo 'deal'

By Robert Corzine in London

Institutional investors are set to heighten pressure on Ofgas, the UK gas industry regulator, to "do a deal" with British Gas to avoid tough price control proposals for the TransCo pipeline division being referred to the Monopolies and Mergers Commission.

A series of meetings which began last week between key institutional shareholders and Ms Clare Spottiswoode, the Ofgas director general, will continue over the next few days. But Ofgas officials are reluctant to do any deal that would cost consumers money.

Ofgas has proposed a pricing formula for pipeline charges that could reduce the average household gas bill by £30 ($45) a year, or about 10 per cent. British Gas says the proposals are unrealistic and would slash TransCo's cashflow and "undermine" its finances, including its dividend.

Many institutions fear the company's shares will become a "dead stock" during the six months to a year that would be needed for an MMC inquiry. Some have threatened to call an extraordinary general meeting to force through rule changes that would amount to an "investment strike" at TransCo.

The pressure from fund managers follows protests from individual shareholders, 35,000 of whom complained to Ofgas about the proposals. The opposition appears to have had some impact, with both sides suggesting that there is growing flexibility on a number of issues.

But there are at least two areas where the two sides remain deeply divided. One is the treatment of depreciation and the other is the regulator's proposal to reduce the valuation of TransCo's regulatory asset base from £17bn ($26bn) to between £9bn and £11bn.

More meetings between the company and Ofgas are scheduled for later this week. But BG says any compromise settlement could be scuppered by Ofgas's refusal to allow the company access to two key consultants reports, upon which many of the proposals are based.

Mediaset share offer price set at L7,000

By Andrew Hill in Milan

Mediaset, the Italian media group controlled by Mr Silvio Berlusconi, has set a price of L7,000 a share for the public offer and institutional placing of shares which opens tomorrow, just below the top of the target range.

According to those close to the transaction, the offer is already on course to defy the pundits who have drawn attention to the judicial and regulatory uncertainties which have dogged the flotation.

The institutional placing, which will account for at least 158m of the 253m shares sold in the initial offer, is said to be seven or eight times over-subscribed by Italian and foreign institutions. Small Italian shareholders, who have been bombarded with advertising on Mediaset's three commercial television channels, have already reserved 360m shares, against a maximum of 95m available to the public.

The price will value the whole company at L8,256bn ($5.4bn), if the over-allotment option to issue more shares is exercised by the offer's global co-ordinators, Imi of Italy and Morgan Stanley of the US.

Mr Berlusconi, a former Italian prime minister and now leader of the opposition, will receive just over L1,000bn through the sale of shares by Fininvest, his private holding company, and Mediaset itself will raise just under L1,000bn for further expansion through the issue of new shares.

Fininvest's stake will come down from 71 per cent to 50.1 per cent immediately after the offer, and below 50 per cent if minority shareholders later exercise options to buy more shares from Fininvest.

Mediaset's minority shareholders include Italian and foreign banks; Kirch, the German media group; Nethold, the media company controlled by the Rupert family of South Africa; and Albacom, the Italian telecoms joint venture between British Telecommunications and Banca Nazionale del Lavoro. They paid L6,875 a share to invest.

NEWS DIGEST

Gemina's 1995 accounts approved

Shareholders in Gemina, the Italian investment company, have approved what the group's chairman described as "this damned balance sheet" for 1995, despite the reservations of the internal auditors and sharp criticism from small investors. Saturday's six-hour shareholder meeting came a day after the latest adjustment to Gemina's full-year result for 1995, to cover new "anomalies" discovered at two financial subsidiaries. Having increased its risk reserves, Gemina finally declared a consolidated loss of L694.5bn ($453m), against the loss of L631.6bn originally announced.

Paribas of France has sold its 2.1 per cent stake in Gemina, the meeting revealed. Gemina confirmed it had paid three former managers, including the former managing director, between L1.7bn and L2.7bn each after they claimed L46bn for "biological damage" caused by the company's problems.

Andrew Hill, Milan

Assicurazioni Generali ahead

Assicurazioni Generali, Italy's largest insurer, said it generated an increase of 8 per cent in non-life premiums in the Italian market and 12.5 per cent in life premiums in the first five months of 1996. Mr Gianfranco Gutty, managing director, said profits on sales of securities were L160bn against L18bn in the same period of 1995, while L165bn came from the sale of warrants of its subsidiary Alleanza Assicurazioni. Generali's Belgian units received L322bn from the divestment of assets deriving from an agreement reached in January with French insurance group Axa. For 1996, Generali expects a 10 per cent rise in investment income, Mr Gutty said.

Generali's long-standing link with Axa has been the subject of much speculation. Mr Antoine Bernheim, chairman, said the Italian insurer had not decided whether to sell its 11 per cent Axa stake, worth L1,700 at today's stock market prices.

Reuter, Trieste

Wickes describes secret files

Secret files handed over by a sacked buyer of UK DIY retail group Wickes in the Netherlands provided the first evidence of false accounting within its UK retailing division. The company said the existence of the files, given to a senior executive of the Netherlands subsidiary, was reported to Mr Stuart Stradling, group finance director, on June 18.

They contained a large number of documents in Dutch but also some letters from British suppliers which, according to Wickes, were offering to provide false documents to persuade auditors that correct accounting procedures had been followed. Once the full extent of the problem was realised, the company issued a warning to the stock exchange last Tuesday. It subsequently called for its shares to be suspended after they slumped 40p to 69p. Mr Henry Sweetbaum, chairman and chief executive, resigned the next day. It has been estimated that operating profits since 1990 may have been overstated by at least £15m–£20m ($23m–$31m).

Andrew Taylor, London

United Utilities incentive scheme

United Utilities, the UK's first multi-utility, is set to replace executive share options and annual bonuses with a new incentive scheme, following a review of executive pay prompted by last year's Greenbury report on executive pay. At the same time, the group's remuneration committee has agreed increases of up to 25 per cent in the basic salaries of both Mr Brian Staples, chief executive, and Sir Desmond Pitcher, chairman, as a result of the extra responsibilities caused by the enlarged nature of the group.

Jane Martinson, London

Investors in CFF look at legal moves

By Andrew Jack in Paris

Shareholders in Crédit Foncier de France, the troubled property lender, are considering legal action against the board of the group as a result of its conduct at its annual general meeting last Friday.

Ms Colette Neuville, head of Adam, the association for the defence of minority shareholders, said she was consulting lawyers about the possibility of launching a complaint to the Paris commercial court.

Her action follows the decision of Mr Jérôme Meyssonnier, governor of Crédit Foncier, and his board, to force through a vote on the group's accounts during its annual general meeting while postponing a resolution on a reduction in its capital.

Templeton, the US investment fund which is the largest shareholder with nearly 10 per cent, triggered a suspension of the annual meeting when it called for a delay in approval of the accounts.

It and other shareholders had raised questions about the size of Crédit Foncier's proposed FFr13.6bn ($2.6bn) in provisions, which will trigger a FFr10.8bn loss for the year and wipe out most of the value of the group's share capital. Ms Neuville believes the provisions are at least FFr5bn too high. "What happened was scandalous," she said. "I am ashamed to be French. Nothing functions in this country. The message is that it is not wise to invest in French companies – certainly if the state is involved."

China Airlines looks abroad to forge strategic alliance

By Laura Tyson in Taipei

China Airlines (CAL), Taiwan's leading carrier, is seeking to forge a strategic alliance with a large international concern to build financial and operational capacity and prepare for the eventual opening of direct flights to China.

The carrier's holding company, the China Aviation Development Foundation, plans to sell roughly 200m shares, or 15 per cent of the company's shares, for some US$300m. The foundation now holds 82.5 per cent of the company's shares, with the remainder held by employees or traded in the stock market.

Potential partners have been short-listed and the size, price and timing of the deal are expected to be finalised by September.

Speculation that the partner might be from China appears unfounded. It is understood the carrier is seeking a "top-tier western or international firm" with strong financial resources and good relations with the Chinese government.

Wheelock NatWest, the investment banking joint venture formed in October 1995 by the Hong Kong trading house and the UK bank, is one of a number of concerns, both Taiwanese and international, that have been approached by CAL to advise on the deal.

Confirming it was in talks with CAL, Wheelock said that if it were appointed to broker the share placement the fee would be about US$6m.

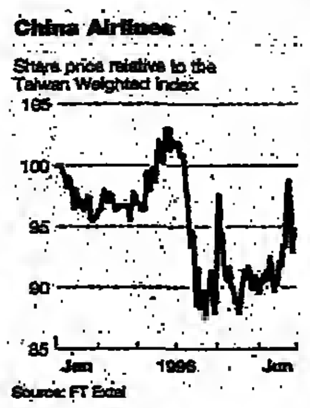
Shares in CAL closed at T$42.80 on Friday, up T$2.80. As Taiwan's largest carrier, CAL is in a strong position to be granted advantageous access to China's aviation market once direct cross-strait flights, severed in 1949, are restored.

The Taiwan stock exchange said on Wednesday that CAL was among 29 listed companies to be downgraded due to what it called their poor profit performance over the past four years.

CAL was founded in 1959 by retired air force personnel and until recently its operations were heavily influenced by the Taiwanese government and the ruling Nationalist Party. However, Taiwan's political environment has changed significantly in recent years and the company no longer has close links with the government.

The carrier has taken steps to dispel perception of government affiliations, by listing on the Taiwan stock exchange in 1993 and by removing the national flag from its livery in October 1995 – a move also motivated by a desire to please China, which considers Taipei a rebel government.

The carrier has embarked on an aggressive expansion and diversification programme, building and upgrading its fleet. It has also taken a 33 per cent stake in another domestic carrier, Formosa Airlines.



Source: FT Extel

WEEKEND SHARE WATCH

A digest of Saturday and Sunday comment on UK companies

Tottenham Hotspur, the quoted north London football club, yesterday said it would resist a claim of up to £20m from former manager Mr Terry Venables. According to The Independent on Sunday, Mr Venables believes he missed out on the sum as a result of his split with Tottenham three years ago and he plans to go to court claiming all or part of it.

The newspaper said the figure of £20m reflects the rise in the value of the club's shares since he left the club following a dispute with the chairman, Mr Alan Sugar. The club said: "We first heard about this in August 1993 and we have heard pretty much nothing about it since. We await developments with interest but will resist any such claim."

Amstrad, the computer and digital telephone group run by Mr Alan Sugar, chairman of Tottenham Hotspur, the football club, is to inject Amstrad Consumer Electronics into Betacom, the telecommunications manufacturer which is 67 per cent owned by Amstrad.

The move, reported in both The Sunday Times and Sunday Telegraph, comes in advance of the planned £234m bid by Psion, the handheld computer manufacturer, for Amstrad. The computer and digital phone group confirmed it will take a provision in its accounts for the year to June 30, to cover the costs of transferring ACE to Betacom. It has been lossmaking for three years.

British Gas Energy, the trading arm of British Gas, yesterday confirmed reports in The Sunday Times that it is to launch a financial services joint venture with HFC bank called Golden Eagle. The announcement has reinforced speculation that the partners intend to launch a credit card offering discounts on gas bills. HFC bank already runs the GM Card, which offers money off purchases of General Motors Vauxhall cars.

British Gas Energy is currently piloting a number of financial services schemes.

Bell Cablemedia, the UK's third-largest cable operator, is launching a price war against British Telecommunications by cutting telephone charges to residential customers, according to the Sunday Telegraph. The company confirmed the report. It has been undercutting BT by between 10 per cent and 15 per cent and the campaign which starts today will mean a further 10 per cent cut.

Morgan Stanley fills its expertise gap

Maggie Urry on the Van Kampen deal's relevance

Morgan Stanley's deal last week to buy Van Kampen American Capital for $745m (£486.9m), plus $430m of debt, raises two questions. What is the investment bank up to? And what does this – and last week's other big deal, the $515m-plus purchase of Heine Securities – mean for the price of other fund management groups?

The answer to the first question was outlined in Morgan Stanley's latest annual report, which points to the growth of asset management as "advancing the firm's objective of diversifying by expanding its recurring, fee-based businesses".

Mr Philip Duff, chief financial officer, adds that Morgan Stanley essentially has two businesses – a securities intermediation activity, such as underwriting, sales and trading, and investment management or "asset-gathering".

At present about 20 per cent of the group's pre-tax profits come from investment management. With the Van Kampen acquisition that would rise to about 30 per cent. Mr Duff says it does not matter whether the two revenue sources end up with a 50/50 or 60/40 share of group profits, but both need to have scale.

Mr James Allwin, president of Morgan Stanley Asset Management, explains that the strategy, put simply, "is to grow what is already the base of a very good business using the firm's global franchise to have a material impact in terms of the growth and stability of earnings for shareholders".

Morgan Stanley had meant to pursue its investment management strategy through organic growth. But it then made an opportunistic, and abortive, attempt to to get its hands on Mercury Asset Management, a leading UK fund manager.

And in June last year it agreed to buy Miller Anderson & Sherrerd, a fund manager with expertise in US equities, for $350m. The transaction was completed early this year.

The idea was to broaden the product range by combining MAS's skills with Morgan Stanley's expertise in international equities, including emerging markets. The deal, which gave the combined group a strong position with both institutional clients and wealthy individuals, has worked even better than hoped, says Mr Duff.

Morgan Stanley had projected a loss of 5 per cent of the $33bn assets MAS had under management. But only one small client was lost.

The Van Kampen deal brings the firm an entirely new type of customer – the retail mutual fund investor.

Last March Morgan Stanley hired Ms Ruth Hughes-Guden, an expert in defined contribution retirement plans, to head its expansion in that business, which includes the fast-growing 401(k) personal pension market.

FUND MANAGEMENT

Mr James Allwin, president of Morgan Stanley Asset Management, says many of its pension fund clients were telling him their defined contribution plans were growing faster than their defined benefit plans. MSAM was hearing "loud and clear" that it was missing an opportunity.

But to run 401(k) money, expertise in administering a multitude of small accounts is vital. Van Kampen, with its 2m retail customers, has invested in the critical back-office infrastructure needed to handle those accounts, Mr Allwin says.

Between MSAM, Miller Anderson and Van Kampen, the group will have about $4bn in defined contribution money, out of nearly $160bn under management. "A fraction of what it should be," Mr Allwin admits, but an area which he expects to grow rapidly.

So Morgan Stanley's US plans are fixed, if yet to be developed. Elsewhere, though, there is more to do. Mr Allwin says: "We clearly have to gather more assets outside the US, especially in Europe and Asia. I would not be surprised to see us take some steps to grow our asset gathering outside the US."

What then, are the implications of the deal for the value of US fund managers? Morgan Stanley is not alone among US investment banks in wanting to increase its fund management operations, while non-US firms have also been buying American asset management companies.

So far though, Morgan Stanley has been more successful than its Wall Street rivals in doing deals. The others mutter darkly that they too have considered acquisitions, but have balked at the prices being paid.

But demand from buyers is expected to send prices higher. Mr Milton Berlinski, a mergers and acquisitions expert at Goldman Sachs who advised Heine Securities on its sale, says he expects further consolidation in the industry, with perhaps another half a dozen deals in the next six to 12 months.

Mr Michael Flanagan, of Financial Service Analytics, an independent firm, believes although the price Morgan Stanley is paying for Van Kampen might look high historically, it "could prove to be very reasonable down the road," not only because of the potential Morgan Stanley should realise from the acquisition, but because of the rush by others to acquire fund management firms. The MAS purchase, seen by some as expensive a year ago, has already proved a good one.

Mr Michael Lipper of Lipper Analytical, which tracks mutual fund groups, believes "only time will tell" if Morgan Stanley is paying too much. "I have no doubt it could work brilliantly. But it must work well, otherwise the price, and the price in terms of reputation, could be severe."

As for prices generally, Mr Lipper says "there was no low hanging fruit before" last week's deals and he thinks sellers of asset management businesses will raise their prices. Other investment banks may find themselves paying up if they want to follow Morgan Stanley's strategy.

FACES

Mercantile & General's ice cold Swede

John Engeström, chief executive of life and health reinsurer Mercantile & General, is building a reputation as an ice-cold Swede, writes Ralph Atkins.

Prudential, the UK-based life assurer which owns M&G Re, last week announced plans to seek a listing for his group and sell perhaps a 50 per cent stake. Yet Engeström was avoiding the media. Officially, he wants to keep his powder dry, pending marketing of the offer later this year.

Engeström has not had a high profile previously and is a quietly-spoken man. But he has a steely determination that could make him the Stefan Edberg of the technical and often sleepy world of reinsurance.

Appointed in 1992 by Mick Newmarch, the Pru's former chief executive, Engeström, 54, has transformed M&G Re's general reinsurance operations after heavy losses earlier this decade. In a burst of exuberance, the 1,300 staff were each rewarded with a bottle of Bollinger.

Now he is about to make his boldest stroke, moving M&G Re outside the Prudential fold. Although worth more than £1bn, M&G Re will be only a medium-sized player in an international reinsurance sector dominated by highly-capitalised giants. Engeström believes firmly that M&G Re can prosper independently – and seems to have persuaded the Pru to go through the motions of seeking a listing, rather than an outright buyer.

There are plenty in the reinsurance world who believe the listing process is really about putting a price on M&G Re and that it will and up in the clutches of a larger rival such as Swiss Re or US-based Employers Re. But Engeström is playing his own game.

John Engeström: steely determination behind a quiet exterior – but will the Pru go all the way in floating M&G Re?

L'Hélias: creating waves at Eurotunnel

Sophie L'Hélias does not like to be described as a "shareholder activist". But she scored a significant victory for individual investors in Eurotunnel at the end of last week week under her preferred title as a "corporate governance consultant," writes Andrew Jack.

In a move which created waves wall beyond the inner circle of French business, she cast some 50m proxy votes against several of tha company's resolutions at last Thursday's annual general meeting in Paris – or more than 32 per cent of all votes cast.

That could give her the power to block any proposed restructuring plan brokered between Eurotunnel and its 225 creditor banks – or to ensure that it is approved only on terms which suit most private investors.

Fluent in both English and French, L'Hélias was born in Brittany and educated in France before taking a law degree at the University of Pennsylvania. She worked for US law firms in both New York and Paris before deciding to change careers, and studied for an MBA at the Insead business school. A short period with an investment bank in London persuaded her that she did not want to follow that path either.

Then in 1992 a Belgian shareholder group asked her to set up its Paris office. When she realised that the job was drifting towards the role of venture capitalist, she decided it was time to set up on her own. "I was interested in representation and mediation, not through legal action but by discussion," she says.

The result was Franklin Global Investor Services, founded in 1994 and named after her office's original Parisian address on Avenue Franklin Roosevelt. Through "fluke after fluke," as she puts it – not to mention some notable successes – she has since taken a leading role in a number of France's most notable recent corporate governance conflicts.

CSFB's Kiev banker

CS First Boston, a pioneer in Moscow, last week became the first western investment bank to open a subsidiary in Kiev, the sleepy capital of giant Ukraine, writes Matthew Kaminski. *The man picked* to run the office fits tha classic profile of CS First Boston personnel in neighbouring Russia – young, educated abroad, but with intimate local knowledge.

Now 33, Alexander Bazarov, gained a PhD in Ukraine, worked for the central bank and even dabbled in financial journalism, before graduating from Wharton, the University of Pennsylvania's business school. He spent only a couple of months at Bankers Trust in London before returning to his native Kiev, to high expectations and a tough task.

CSFB's Kiev subsidiary, he says, aims to "do the same thing as in Russia" – that is, equity research, sales and trading; government securities; and investment banking. A local staff of seven will receive strong support from London and Moscow. Bazarov himself directly answers to Alex Knaster, managing director of CS First Boston operations in Russia and the other CIS countries.

Some Ukrainians might frown on the link with Moscow, but CS First Boston says Kiev will be an independent operation. Bazarov himself jokes thet he is "politically correct": half Ukrainian, half Russian.

A bigger headache might be the state of Ukraine's economy and privatisation effort – both on the mend lately, but it's not clear for how long. That will determine whether Bazarov can repeat the success story of Boris Jordan, Moscow's leading investment banker who last year left CS First Boston to start his own outfit.

Plag unmoved by Extel jackpot

Being rated among the City's top investment analysts in the annual Extel survey has to be the next best thing to winning the National Lottery, writes Bronwen Maddox.

Top billing can add hundreds of thousands of pounds to a team's remuneration. So this year's winners, to be announced on Wednesday, may or may not take consolation from the fact that BZW's Steve Plag, one of last year's stars, says it hasn't changed his life: "Not one jot," ha insists.

Plag, then at NatWest Securities, was the most highly rated "individual performer" in the 1995 Extel survey, by virtue of his research into household goods, health care and pharmaceuticals.

The category was introduced to reflect the fact that some analysts cover more than one sector. The award has therefore tended *to favour* pharmaceutical, oil and building industries, in which analysts tend to cover more than one stock market sector. Fergus Macleod and the NatWest Securities oil team were last year's highest-ranking overall team.

Plag doesn't expect his moment of glory to be repeated this year. He was ranked only 9th on the same basis in 1994, and says his move to BZW, which kept him out of the market for several months early this year, may have cost him some institutional support.

But the move, he says, owed far more to the fact that his team had dominated the pharmaceutical sector for some years, than to the "best individual analyst" tag.

FINANCIAL TIMES
COMPANIES & MARKETS

Monday July 1 1996

Stena seeks end to ban on ferry co-operation

By Hugh Carnegy in Gothenburg and Charles Batchelor, Transport Correspondent, in London

Sweden's Stena Line has urged the UK government to lift restrictions on co-operation between ferry operators on the English Channel because of crippling competition from Eurotunnel.

Mr Bo Lerenius, Stena's chief executive, told the Financial Times he understood the Office of Fair Trading in the UK had made a recommendation on the issue to the government and said he expected a ruling within two weeks.

Mr Lerenius said Stena had been in talks with UK authorities following a similar initiative by P&O, the British transport, property and construction group which is the largest ferry operator on the channel. P&O also said yesterday that it expected a decision within the next fortnight.

Mr Lerenius said Stena, which issued a profits warning two weeks ago, was interested in a "pooling" arrangement with rival ferry operators which would allow them to co-operate on pricing and to pool their revenues. "We would have to talk not just to P&O but to all the players," Mr Lerenius said. "Any arrangements would have to include at least P&O, Sea France and us." However he said Stena had not held talks with its rivals.

P&O said that lifting the restrictions would not mean the two companies would automatically merge activities. "It would send a helpful signal but it does not give us *carte blanche*," the company said. "If we had any specific proposals to merge or to acquire someone we would still need to consult the relevant authorities."

P&O initiated efforts to lift the restrictions two months ago on the grounds that the start of full Channel tunnel rail services and the passing of new competition legislation had made the restrictions redundant. Stena, which recently ended a co-operation agreement with SNAT, the French state-owned ferry group, had initially appeared unenthusiastic about any new link-up. P&O said it welcomed what appeared to be a more positive approach from Stena.

The government blocked a previous co-operation plan after P&O and Stena had reached a pooling agreement in anticipation of the arrival of Eurotunnel. Although the ferry companies are allowed to co-operate on capacity, ticket interchangeability and schedules, they are not allowed to fix prices and share revenues.

But the ferry operators argue that the impact of the tunnel justifies lifting the restrictions. Eurotunnel has taken more than 40 per cent of traffic on the Dover-Calais route and has continued to slash prices. P&O has more than 30 per cent of the traffic and Stena has about 20 per cent.

If the two companies were to merge their cross-channel activities, there would probably be a reduction in the number of sailings, although they would need to compete with Eurotunnel's level of service. The groups could also combine marketing efforts and offer a common livery for their vessels. Competition from the Channel tunnel would make it hard for a merged group to put up prices.

Mr Lerenius said Eurotunnel's most recent price cuts for the high summer season came as a shock: "From our point of view it was very dramatic. It means the whole price level is 50 per cent of what we had before. But we have no choice but to find ways to adapt our prices. If not we would lose volumes, which is the worst of all for us."

Stena warned in mid-June that developments on the English Channel were partly to blame for an expected fall in profit this year from Skr201m ($30.4m) in 1995, itself a sharp fall from 1994.

Decision expected: Bo Lerenius

INSIDE

Mediaset

Mediaset, the Italian media group controlled by Mr Silvio Berlusconi, has set a price of L7,000 a share for the public offer and institutional placing of shares which opens tomorrow, just below the top of the target range.
Page 18

Crédit Foncier

Shareholders in Crédit Foncier de France, the troubled property lender, are considering legal action against the board of the group as a result of its conduct at its annual general meeting last Friday.
Page 18

British Gas

Institutional investors are set to heighten pressure on Ofgas, the UK gas industry regulator, to "do a deal" with British Gas in order to avoid tough price control proposals for the TransCo pipeline division being referred to the UK's Monopolies and Mergers Commission.
Page 18

Faces

When Prudential, the UK life assurer, announced plans last week to seek a separate listing for Mercantile & General, its life and health reinsurer, M&G Re's chief executive, Mr John Engeström (above), was keeping a low profile.
Page 18

Fund Management

With its deal last week to take over Van Kampen American Capital for $745m, plus $430m of debt, the US investment bank Morgan Stanley is "advancing the firm's objective of diversifying by expanding its recurring, fee-based businesses". The acquisition of Van Kampen brings Morgan Stanley an entirely new type of customer – the retail mutual fund investor.
Page 18

US tyre group intends to regain leading position it lost after Goldsmith raid

Incoming Goodyear head plans disposals

By John Griffiths in London

Egyptian-born Mr Samir Gibara today takes over the chairmanship of the US's Goodyear Tyre and Rubber, with one of his declared aims the raising of several hundred million dollars through the sala of non-core businesses.

The money will help fund another aim, as yet not so formally stated: to restore Goodyear to the position it once held as the world's biggest tyre maker, until the abortive takeover raid of British entrepreneur Sir James Goldsmith in the late 1980s which left it $3.7bn in debt.

But Mr Gibara insists size itself is not the primary aim.

"Our vision in the next five years is to be ranked by all measures as the best tyre and rubber company in the world, defined by quality of products, return on investment to shareholders and motivated associates [employees]."

Crucially, it is clear Goodyear believes that even the past decade's restructuring, which has has left the three biggest groups – Michelin of France, Bridgestone of Japan and Goodyear - controlling 55-60 per cent of the $60bn world tyre market, is unlikely to be the end.

Come the next recession and any consequent rationalisation, he adds, Goodyear will not face financial contraints on almost any acquisition that makes sound business sense. "We will look at every opportunity that comes np."

Saddled with its huge debt from warding off the Goldsmith raid, Goodyear could only watch helplessly in the late 1980s as first Michelin of France then Bridgestone of Japan overtook it by buying up big companies. Michelin bought Uniroyal-Goodrich to become the world's biggest tyre maker, Bridgestone bought Firestone to become second largest.

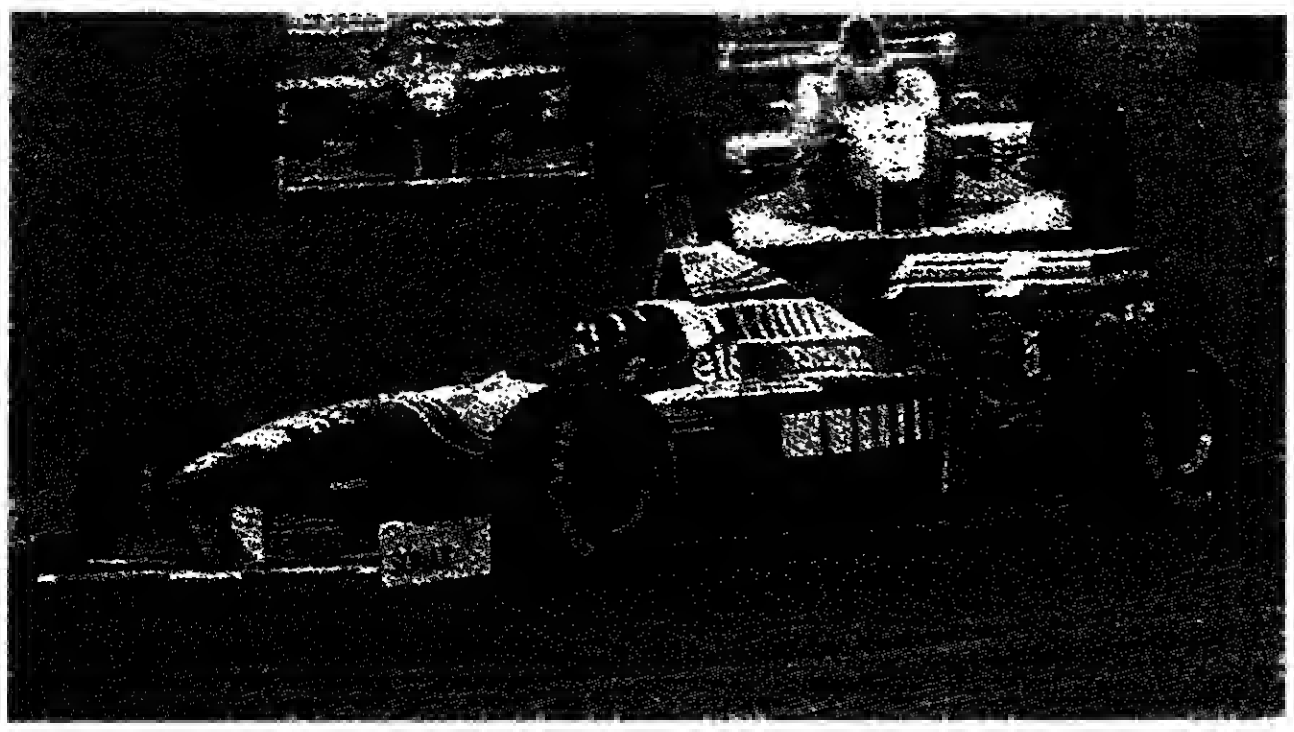
But in the five years since Goodyear came under the chairmanship of Mr Stanley Gault, the 70-year-old former Rubbermaid chief from whom Mr Gibara takes over today, rising productivity and restructuring of distribution and retailing channels has left it transformed. Last year's total tyre sales, at $11.3bn, were a record and represented a 7.1 per cent increase over 1994. Net income, at $611m - $4.02 per share - was 7.8 per cent up and also a record.

Most significantly, says Mr Gibara, Goodyear has achieved its 19th consecutive quarterly rise in net income from continuing operations. Its debt has been cut by almost two thirds to $1.4bn, and it now has a manageable debt to capitalisation ratio of 32 per cent. Operating margins, 5-6 per cent when Mr Gault arrived, are now around 9 per cent.

"What it all means is that today, 10 years after Goldsmith, we are for the first time in a position to be in control of our future and investing," says Mr Gibara, who took over the chief executive's role from Mr Gault last year and today succeeds to his other role.

However, the first priority is profitable growth, primarily via a greater variety and quality of products, expanding distribution channels and "by taking advantage of opportunities in emerging markets, many of which were not available to the Western industry five years ago, in central and eastern Europe, India and China".

"We won't buy sick companies and try to turn them around. We are interested in acquiring companies in core competencies, of tyres, industrial rubber products. And we will try to acquire only companies which are synergistic with what we have and fit our strategy for the regions in which the acquired companies are located."



Roaring ahead: Britain's Damon Hill takes the lead on Goodyear tyres at the first bend of yesterday's French Grand Prix AP

Goldman Sachs becomes favourite to buy CINMan

By Norma Cohen

Goldman Sachs, the US-based investment bank, is the front runner on a list of four finalists seeking to purchase CIN Management, the in-house pension fund manager of British Coal.

CINMan officials were in New York last week holding talks about a possible acquisition. The three other potential buyers are understood to be mainland European banks.

Advisers to the sale are now hopeful a deal can be concluded before the end of the summer. British Coal has been twice thwarted in its efforts to sell CINMan, which has about £17bn ($26bn) of assets under management.

Goldman Sachs, which has $58.5bn under management and administration, has been seeking to build up an institutional fund management business in recent years. In common with other US investment banks, it had initially been reluctant to develop its asset management arm for fear of alienating the fund management clients of its brokerage business.

However, Goldman Sachs has since revised its strategy and is now looking to develop its business through a combination of acquisitions and organic growth. It had been ooe of the companies considering the purchase of Roseoberg Capital Management, the California-based fund manager which was recently purchased by Dresdner Bank, the German bank.

If Goldman Sachs is successful, it will bring to a conclusion a year-long effort to sell a fund managemeot company once considered one of the most attractive institutional firms in the business.

Its so-called contrarian approach to investment bas helped CINMan to achieve above-average long-term performance. In 1995, CINMan achieved total returns around the industry median of 19.6 per cent, in spite of a significant move into lower-yielding index-linked gilts.

An agreed deal last December to sell the business to Friends Provident, the UK mutual life assurer, for about £70m fell apart when the two parties could not agree on bow to integrate their different investment styles and teams.

In March, talks between British Coal and Robeco broke down when Robeco demanded that the trustees of the pension schemes commit themselves to remain with CINMan for np to eight years.

Both Friends Provident and Robeco were on the initial short list of four firms. The other two were Sal Oppenheim, the private German bank, and John Hancock, the US-based insurance company.

MCA to avoid Internet investments

By Christopher Parkes, West Coast Correspondent

MCA intends to develop a global entertainment brand based on the "magic of Hollywood" but will steer clear of spending in cyberspace, Mr Frank Biondi, the group's new chairman, said at the weekend.

"We marvel at the time people spend surfing the Internet. But we wonder what the end-game is in terms of [content providers'] getting paid, or what the entertainment value is," he said.

MCA would keep an eye on developments. But, Mr Biondi added, internet surfing at present was comparable with "reading the Yellow Pages" and he had no plans for large-scale investments.

The media and entertainment subsidiary of the Seagrams drinka concern would expand its international reach with more films, more theme parks and cinemas, expanded music interests and ventures in television, he told a conference in Los Angeles.

Mr Biondi, appointed two months ago after being fired from his post as president of Viacom, promised aggressive international axpansion. The music division, once a mainly domestic business, bad recently opened 27 overseas offices. Plans were afoot to increase MCA's cinema chain from 400 to 2,000.

Universal Studios theme parks, already successful in the US with another soon to open in Osaka, Japan, would be launched elsewhere in the world. Attendances at the two US parks had increased this year "in the very serious double digits", he said.

Other attractions to be exported included shopping-cum-entertainment centres such as CityWalk, which are popular with tourists and residents in Florida and California.

Mr Biondi also outlined plans for devaloping MCA's television interests, which are hampered by its lack of a stake in a big network and a legal clash with Mr Biondi's old employer, Viacom, which is an equal partner with MCA in the USA channel.

"We are prisoners, so to speak, of the USA partnership. I think it is fair to say we would like to own it if we could," he said. Given a free hand with USA, MCA could use it as a base from which to develop a new network, possibly in partnership with others.

Despite the current glut of big-budget films hanging over Hollywood, Mr Biondi said he had not yet reached any conclusions on his response.

According to Mr David Londoner, managing director of investment bank Schroder Wertheim, Hollywood is squandering potential profits on over-production of over-budget and over-ambitious films.

Predicting falling stndio earnings for this year, he told the conference movie-making's earnings from the box office, and future income from videos, pay-per-view, "free" TV and consumer products were being misused. "You are taking these library values and wasting them on your current output," he added.

RTZ-CRA raises hopes of Century zinc mine go-ahead

By Nikki Tait in Sydney

RTZ-CRA, Anglo-Australian mining giant, yesterday threw a lifeline to its A$1.1bn (US$870m) Century mine project in northern Queensland.

The mining gronp said it understood that aboriginal groups, which have a native title claim over the proposed mine site, had voted narrowly in favour of a proposed settlemant package. This would allow development to proceed, although their meeting subsequently broke up without apparent agreement.

CRA-RTZ had set last night as the deadlina for support from the aboriginal community, saying that it would mothball the project – set to become the world's largest zinc mine – if there was not clear support for it by then.

On Friday night, the development had appeared doomed in the wake of the inconclusive meeting of the United Gulf Regional Aboriginal Council.

Yesterday, however, the Century project team said that RTZ-CRA had subsequently learnt that a vote was taken at the UGRAC meeting and ran 12-11 in favour.

It said that an "indapendent" source had reviewed the minutes of the meeting, and Century believed that this - coupled with less formal backing for the projects from some aboriginal communities in tha region - could be interpreted as "support" for the mine scheme.

This would be the advice which Century would give the board of RTZ-CRA, which must now take a final decision on whether to authorise continued expenditure on the project.

The mining compsny originally decided to go ahead with the project late last year when it believed that previous pastoral leases granted ovar the land had extinguished any chances of a native title claim.

Howaver, Australia's high court subsequently ruled that the Waanyi people's claim - which covers about 247 hectares - could be registered. Undar the country's new Native Title Act procedures, once a claim is registered a lengthy formal negotiation process is triggered.

If the project does fall by tha wayside, it could have implications for Pasminco, the Australian zinc producer, and its Budel smelter in the Netherlands. Pasminco is due to take about 50 per cent of Century's output, and this is said to be only possible source of "clean concentrates" which would allow Budel to meet the environmental standards set down by the Dutch anthorities.

FINANCIAL TIMES

MARKETS

THIS WEEK

Global Investor / Peter Martin

Wary investor fears a correction

What is the most significant trend in world markets at the moment? The answer, according to one active market participant, is shown in the chart alongside – the marked compression of volatility in recent months. The trend applies to most big markets, and most types of security, he says. The chart shows the weekly change of the FT/S&P Actuaries World Index, plotted daily. Not only is there a medium-term downward trend in volatility – dating back at least to the summer of last year – but there is also a further sharp reduction in the past two months.

This fall in volatility goes hand in hand, the investor says rather glumly, with a reduction in obvious market anomalies, the sort that can be exploited by a fast-moving trader with a lot of money to spend. On past precedents, he believes, the two trends indicate an imminent market correction and a sharp rise in volatility, to be followed by a recovery and a much sharper fall in the market next year.

Well, that's just one investor's view. But the sense that something big and probably rather unpleasant is about to happen is shared by others in the professional investment community. Morgan Stanley's Byron Wien is expecting a 1,000-point fall in the Dow Jones Industrial Average sometime in the next three months, for example. Tactical Asset Allocation models, which use economic and financial data to make broad decisions on asset-classes, are mostly advising a move out of equities.

The tone of the investment newsletters devoured by US retail investors is still positive, however – with one important caveat. Mr Mark Hulbert, who runs Hulbert Financial Digest in Washington and tracks the advice of the US investment newsletters, says that the mood is "on the bullish side of neutral".

The average exposure to equities recommended by the newsletters he tracks is somewhere between 65 per cent and 70 per cent – which compares with a historical high of 65 per cent in 1985 and a low of zero (after October 1987).

The newsletters with good long-term records in predicting the market are much more cautious, however. The best performing indicator can be extracted from the essentially mechanical "timeliness" indicators of the ValueLine Investment Survey. Its implicit forecast, which looks roughly four years ahead, suggests no rise in US stocks between now and then – not a prediction of a bear market but scarcely a ringing endorsement of the return on equities.

The second-best performing newsletter, the Chartist, has advised its readers to stay out of equities for two years now. It has therefore missed most of the recent run-up in stocks, but its long-term record is so good it still comfortably outpaces the rest of the pack. Other newsletters with good records also started to turn cautious early – typically around a year or so ago according to Mr Hulbert.

So much of the impetus in US equities in recent months has come from retail investors – either buying directly or through mutual funds – that their mood is critical to the market's prospects. The latest mutual fund figures, released last week by the Investment Companies Institute, show that equities are still close to individual investors' hearts.

Though the net inflow into equity mutual funds in May was slightly below the figure for April, it was still huge: $25bn. So far this year, the inflow has been $124bn, almost as much as the $129bn inflow in the whole of 1995. Net assets of equity mutual funds have risen by 9 per cent in the first five months of 1996: at $1.5 trillion, they are now 49 per cent higher than a year ago.

Just as striking was the composition of May's inflow. Although the growth in stock funds slowed overall, US stock funds accelerated. And more than a third of the new money went to "aggressive growth" funds: no sign of caution there.

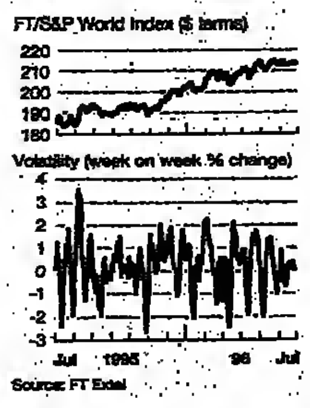
The cynic would say such an eagerness for speculative shares is an infallible sign of a market top. That is certainly one way of interpreting recent developments in Germany, where second-tier stocks have healthily outperformed their larger cousins. The M-Dax, which measures medium-sized German companies, rose 7.3 per cent in the month, compared with a 0.7 per cent rise in the main Dax index.

But in the US, where smaller-cap stocks have led the way upward for most of the recent rally, June marked a reversal of trend. May's inflow into aggressive growth funds will have produced immediate disappointment for many of the investors concerned. The S&P SmallCap 600 index, which tracks smaller stocks, underperformed the Dow by 7 per cent in June.

It will be interesting to see whether this relatively poor performance is reflected in the mutual fund inflow figures for the month. We will be able to study the numbers in late July. Of course, if the investor mentioned at this beginning of this article is to be believed, there may be more to worry about by then than one month's mutual fund figures.

Volatile world

FT/S&P World Index ($ terms)



Source: FT Extel

Total return in local currency to 27/6/96

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.10	0.01	0.06	0.07	0.17	0.11
Month	0.45	0.04	0.28	0.32	0.77	0.51
Year	5.81	1.06	4.81	6.59	11.53	7.58
Bonds 3-5 year						
Week	0.67	0.09	0.2	0.18	0.14	0.36
Month	-0.01	-0.2	-0.8	-0.39	0.85	0.97
Year	3.61	1.72	6.14	11.9	22.3	10.66
Bonds 7-10 year						
Week	1.12	0.04	0.49	0.41	0.5	0.72
Month	-0.27	-0.17	-0.77	-0.71	1.24	1.08
Year	1.82	0.94	6.28	13.75	31.22	11.6
Equities						
Week	0.8	0.7	1.0	-1.6	-2.4	-1.5
Month	-1.5	3.8	1.2	-0.1	-2.5	-1.8
Year	25.5	40.8	20.1	17.7	4.1	15.7

Source: Cash & Bonds - Lehman Brothers. Equities-© FT/Extel Index Unit. The FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co. and Standard & Poor's.

COMPANY RESULTS DUE

Océ to see gains from printer acquisition

Océ van der Grinten, the Dutch electronics group, will on Friday report net profit for the three months to May of Fl 36.3m-Fl 43.0m ($33.3m-$39.1m) or Fl 2.15 and Fl 2.30 a share, compared with Fl 27.5m or Fl 1.69 a share a year earlier, according to analysts.

Analysts expect the acquisition of Siemens-Nixdorf's printer division, which took effect on April 1, to make a limited positive contribution to three-month net profit. Mr Bert van Hoogenhuijze, analyst at Amstegeld, is forecasting net profits of Fl 43m or Fl 2.30 a share. "Océ said at the time of the takeover from Siemens-Nixdorf that the acquisition would make an immediate profit contribution. That will show up in two of the three months of the reporting period."

Ms Ineke Valke, analyst at Financieele Diensten Amsterdam, who forecasts net profits of Fl 40m or Fl 2.30 a share, expects the new printer business to contribute about Fl 4m to net profit. She added that Océ should benefit from a 7 per cent year-on-year appreciation of the dollar against the guilder.

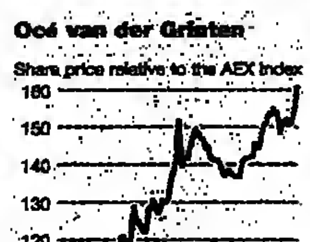
However, analysts expect most of the year-on-year profit growth to be driven by strong sales of products introduced in the six months to May 1995. In spring 1995, Océ's engineering systems division launched a digital high-volume copier/printer and a low-volume "eco-copier," while the office systems division introduced a medium-volume machine.

Mr Ton Gietman, analyst at Van Meer James Capel, said he expected three months to May net profits of Fl 36.3m or Fl 2.15 a share. He said last year's product launches resulted in substantial start-up costs during the six months to May 1995 but led to a strong stream of orders for the new products beginning in the six months to December 1995 and continuing this year.

Analysts said their earnings per share forecasts for the three months to May were based on their calculations of the average number of outstanding shares in the three-month period. For the full year to November 1996, analysts expect earnings per share of Fl 8.35-Fl 9. The company issued 2.53m ordinary shares in April to finance its Fl 900m takeover of the printer business. In the first quarter to February the average number of shares was about 16.3m.

Océ van der Grinten

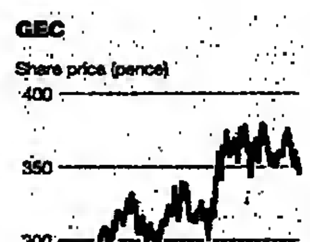
Share price relative to the AEX index



Source: FT Extel

GEC

Share price (pence)



Source: FT Extel

■ Scottish & Newcastle, the UK's largest brewer, is expected to report today underlying earnings growth of about 7 per cent to 39p a share for the year ended April. Pre-tax profits of about £155m ($239m) will reflect a provision of £150m for integrating Courage, the brewer it acquired last year. Courage has contributed well to profits in its first eight months.

An underlying improvement in S&N's beer business will be the star turn of the results. Increased volume, a shift to higher margin products and price increases will have reversed a five-year decline in S&N's brewing profits.

The Scots' lessons from the acquisition – notably, increased efficiency and market heft – will not be lost on Bass which is still trying to craft a deal to buy Carlsberg-Tetley. If Bass succeeds in meeting regulatory and commercial criteria it will regain its title as the UK's largest brewer.

From pub retailing, S&N will squeeze about 14 per cent like-for-like growth in profits, estimates NatWest Securities, a higher rate than Bass and Allied Domecq.

Center Parcs will be the disappointing feature with profits up only about £4m from last year's £87.9m despite the opening of a new holiday complex in Germany. New management are shaking it up. The dividend for the year should be up 7 per cent to 19.55p.

■ MFI, the furniture retailer and manufacturer, is today expected to report a fall in pre-tax profits from an underlying £66.1m to about £58m ($89m) for the year to April 27. The group was hit by raw materials price increases, bad weather which affected the winter sale, and a slow market. But profits are expected to rebound strongly this year to more than £80m. Analysts will be keen to hear whether group sales of high-margin own-manufactured goods have risen since the year-end. MFI's store refurbishments and any slight pick-up in the housing market could help.

■ Berkeley Group, the house builder regarded as a bellwether of the UK housing market, is expected to announce pre-tax profits of about £42m ($65m) tomorrow. This implies a growth in profits of up to 12 per cent on last year's £37.6m, with forecasts lifted by sentiment that the housing market is recovering, and by Berkeley's positive predictions when launching its rights issue in January.

Berkeley's report on market conditions since its March year end, and its forecast for the year, are also likely to be influential for the rest of the sector.

■ The General Electric Company is expected to reveal annual profits of £960m-£990m ($1.5bn-$1.5bn) on Wednesday, up from last year's £907m, before exceptional items.

The results will be the last to be presented by Lord Weinstock before he steps down as managing director after 33 years in the job, to be replaced by Mr George Simpson, chief executive of Lucas Industries.

Profits from electronic systems are expected to improve to £240m-£270m compared with £205m, although analysts are uncertain whether the group will be able to release provisions already taken against certain defence contracts.

Earnings per share are expected to rise to 22p-22.5p compared with 20.6p and analysts forecast the full-year dividend will be between 12.1p and 12.3p, up from 11.37p.

INTERNATIONAL EQUITIES By Antonia Sharpe

The bulge bracket reigns supreme

The latest half-yearly league table of international equity bookrunners shows the expensive campaign by European contenders to break into this lucrative market has failed to weaken the supremacy of the predominantly US "bulge-bracket" investment banks.

According to Euromoney EquityWare, Goldman Sachs is still top, with Morgan Stanley a close second. They are followed by SBC Warburg and CS First Boston/Credit Suisse, the only two European banks consistently in the top five, and Merrill Lynch.

Howavar, other European banks which climbed into the top 10 table in 1995, such as BZW, Paribas and UBS, were unahle to consolidate their positions in the first half. UBS is ranked 14th while BZW and Paribas do not even make it into Euromoney's top 25 table.

League tables are never perfect, especially in international equities where a big mandate can catapult a bank several rungs up the ladder. Nevertheless, the fact the top five banks continne to control half tha market suggests winning business away from them is an uphill struggle. Snch dominance was highlighted last week when that most British of institutions, the Prudential, chose Goldman Sachs rather than a UK bank to advise on the flotation of its Mercantile & General reinsurance arm.

European banks claim it has been clever marketing of a US listing that has helped US banks maintain their tight grip on the market, not their research or distribution capabilities. However, the US banks' recent successes in winning purely European mandates have refuted such claims.

Nevertheless, the importance of the US banks' distribution in their home market should not be underpleyed, especially this year whan US investors returned in force to buying foreign securities. Many bankers say it was their absence that caused so many offerings to fail or be scaled back last year.

High levels of liquidity among international investors, in particular the Americans, fuelled primary and secondary equity issuance this year. Together with strong secondary stock markets, such superb conditions bave set 1996 on course to a record.

According to provisional data from Euromoney Equityware, volume in the first six months has reached $29.6bn, well over half the $45.5bn recorded in 1995. Judging by the heavy calendar of offerings planned for the second half (the share offerings in Deutsche Telekom and Eni alone are likely to raise $15bn) 1996 could well outstrip the 1994 record of $56.4bn.

The only concern banks harbour is that the second half of 1996 could see a repeat of last year when US investors turned their backs on international equity offerings. With stock markets looking toppy, banks will have to use all their skills to ensure their offering is not the one to fail.

TOP INTERNATIONAL EQUITY BOOKRUNNERS

	Jan-June 1996				1995			
Manager	$bn	Rank	%	Issues	$bn	Rank	%	Issues
Goldman Sachs	4.15	1	15.00	33	6.72	1	15.24	51
Morgan Stanley	3.93	2	14.18	27	5.02	2	11.39	38
SBC Warburg	2.84	3	10.27	9	4.26	3	9.66	26
CSFB/Credit Suisse	2.28	4	8.25	18	2.70	6	6.14	18
Merrill Lynch	1.77	5	8.41	24	4.24	4	9.61	38
Dresdner-Kleinwort	1.34	6	4.83	4	2.78	5	6.29	14
ABN-Amro Hoare	1.16	7	4.21	12	0.34	23	0.77	3
DLJ Securities	0.97	8	3.50	12	0.43	20	0.98	8
Robert Fleming	0.94	9	3.38	2	0.69	12	1.56	9
JP Morgan	0.74	10	2.66	4	0.67	13	1.53	6
Industry totals	29.60		100	242	45.54		100	366

Excluding funds, bought deals and domestic tranches. Source: Euromoney Equityware

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International Limited and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS	FRIDAY JUNE 28 1996								THURSDAY JUNE 27 1996					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	%chg since 29/12/95	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 29/12/95	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (79)	201.44	6.0	192.21	139.86	158.41	170.22	0.2	4.33	202.06	193.77	139.60	159.87	170.36	212.19	163.30	167.00
Austria (25)	183.92	5.4	175.50	127.52	145.55	145.49	12.1	1.92	185.07	177.47	127.86	146.42	146.35	198.96	168.11	195.11
Belgium (27)	209.16	0.0	199.59	145.02	165.53	161.60	6.5	4.12	209.12	200.53	144.47	165.45	161.52	215.81	186.06	194.26
Brazil (28)	176.13	29.1	169.87	123.51	140.97	329.23	33.4	2.01	181.27	173.82	125.23	143.41	334.79	181.59	123.97	134.76
Canada (96)	159.70	7.6	152.38	110.72	126.38	157.93	7.7	2.41	158.84	152.31	109.74	125.67	156.78	166.12	134.14	142.97
Denmark (30)	303.09	5.0	289.21	210.14	239.86	241.80	11.1	1.90	301.76	289.37	208.48	238.74	240.69	305.17	276.53	276.98
Finland (23)	191.83	2.5	183.05	133.00	151.81	187.05	9.7	2.67	190.43	182.61	131.56	150.66	184.89	278.11	171.78	232.26
France (96)	197.80	10.2	165.74	137.14	156.54	159.74	16.1	3.01	196.59	188.51	135.82	155.53	158.78	198.39	167.70	180.45
Germany (60)	172.32	5.3	164.42	119.47	136.37	136.37	11.9	1.82	171.59	164.55	118.55	135.76	135.76	174.38	155.66	157.72
Hong Kong (58)	431.69	11.3	411.91	299.30	341.63	429.02	11.5	3.32	430.92	413.23	297.71	340.83	428.27	451.19	348.81	357.27
Ireland (16)	286.95	12.3	273.80	198.95	227.08	253.11	12.7	3.38	283.17	271.54	195.63	224.04	250.77	290.82	239.90	233.90
Italy (59)	81.90	11.1	78.15	56.78	64.82	83.77	7.4	2.35	81.54	78.19	56.33	64.51	83.38	84.53	67.22	73.98
Japan (481)	156.65	1.1	149.48	108.61	123.97	108.91	7.5	0.70	157.16	150.73	108.60	124.36	108.60	164.66	137.75	144.25
Malaysia (107)	558.44	15.3	533.81	387.58	442.73	537.64	13.3	1.67	558.24	535.31	385.67	441.66	536.08	585.09	425.77	525.91
Mexico (18)	1233.34	19.1	1176.84	855.11	976.03	10221.42	17.1	1.30	1221.98	1171.80	844.23	966.76	10190.72	1325.65	791.98	1011.31
Netherland (19)	297.57	9.2	284.03	206.38	235.57	231.91	16.2	3.11	296.01	283.85	204.50	234.16	230.47	299.69	246.79	249.83
New Zealand (15)	80.09	0.9	76.42	55.53	63.38	62.08	-4.0	4.37	79.71	76.44	55.07	63.06	62.08	85.49	75.94	78.79
Norway (35)	250.68	8.4	239.20	173.81	198.38	221.05	11.4	2.05	249.74	239.48	172.54	197.58	220.27	256.94	222.24	230.97
Singapore (44)	416.96	2.4	397.86	289.11	329.99	271.23	2.2	1.40	417.12	399.99	288.16	330.01	271.13	465.21	355.61	379.53
South Africa (45)	362.38	-8.0	345.78	251.25	286.78	343.00	11.7	2.12	365.12	350.13	252.25	288.87	346.23	437.76	339.37	345.54
Spain (37)	183.29	11.6	174.89	127.08	145.05	178.03	17.3	3.21	182.26	174.77	125.91	144.19	176.79	183.29	145.15	147.11
Sweden (48)	357.35	14.5	340.98	247.76	282.80	351.04	14.6	2.42	353.13	338.63	243.97	279.38	346.84	360.77	206.46	266.46
Switzerland (38)	244.10	3.4	232.81	169.24	193.17	188.42	12.5	1.56	242.59	232.63	167.60	191.93	188.13	252.34	191.24	202.80
Thailand (46)	166.31	-1.2	158.69	115.31	131.61	163.95	-0.3	2.02	164.65	157.89	113.75	130.27	162.15	193.95	146.74	166.16
United Kingdom (200)	233.41	1.2	222.72	161.83	184.72	222.72	1.2	4.19	230.42	220.96	159.18	182.30	220.96	237.43	210.29	210.29
USA (627)	272.73	6.8	260.23	189.09	215.83	272.73	8.6	2.17	271.66	260.52	187.69	214.94	271.66	276.47	222.24	222.84
Americas (771)	249.05	8.8	237.64	172.68	197.09	209.36	6.8	2.17	248.13	237.94	171.42	196.31	208.60	252.43	203.64	203.91
Europe (713)	211.52	5.3	201.83	146.65	167.39	184.80	8.8	3.06	209.81	201.19	144.95	165.99	183.57	211.58	187.21	187.21
Nordic (136)	304.93	10.6	290.96	211.42	241.32	263.93	12.9	2.33	302.13	289.72	208.73	239.03	261.24	306.61	258.76	258.76
Pacific Basin (831)	169.35	2.5	161.59	117.42	134.02	119.51	7.3	1.15	169.80	162.82	117.31	134.34	119.46	177.01	148.86	154.32
Euro-Pacific (1544)	186.61	3.8	178.26	129.52	147.84	144.29	6.0	2.05	186.36	178.70	128.75	147.44	143.80	190.57	166.61	167.92
North America (725)	265.75	8.5	253.57	184.25	210.31	265.05	8.5	2.18	264.72	253.84	182.88	209.43	264.01	269.52	217.31	217.71
Europe Ex. UK (513)	194.19	7.6	185.27	134.62	153.65	161.31	13.2	2.46	193.07	185.14	133.39	152.75	160.39	194.16	169.65	170.15
Pacific Ex. Japan (350)	287.99	8.8	274.80	199.67	227.91	248.88	6.9	3.06	287.79	275.97	198.82	227.68	248.53	296.88	243.59	250.46
World Ex. US (1733)	188.01	3.9	179.39	130.35	148.78	148.70	9.3	2.06	187.59	179.88	129.60	148.41	148.24	191.55	167.36	168.87
World Ex. UK (2160)	212.20	6.3	202.49	147.13	167.93	180.32	9.1	1.91	211.79	203.09	146.32	167.56	179.79	213.05	181.65	182.79
World Ex. Japan (1879)	245.98	7.4	234.71	170.54	194.66	232.77	8.7	2.53	244.79	234.74	169.12	193.67	231.76	247.55	208.46	206.46
The World Index (2360)	214.14	5.9	204.33	148.47	169.47	184.40	8.4	2.11	213.52	204.75	147.51	168.93	183.78	214.70	184.48	185.22

COMPANIES AND FINANCE

NEWS DIGEST

Korean Air Lines to raise $860m

Korean Air Lines, the South Korean flag-carrier, is raising $860m to buy six Boeing aircraft. Bank of New York, Bank of America and the Korean Development Bank have been mandated to arrange the three-tranche facility. The deal's size forced bankers to finance three of the aircraft through a loan guaranteed by the US Export-Import Bank; two by financial loans; and the sixth through a leveraged lease.

The biggest tranche, the $410m used to finance two Boeing 777-200 aircraft and one B747-400, is being arranged by Bank of New York and Bank of America, and is guaranteed by the US Exim. Some 15 per cent of the tranche will be in the form of a straight commercial loan. The commercial loan portion, which has a final maturity of 12 years, is expected to pay an all-in return of slightly more than 87 basis points over the six-month London interbank offered rate.

The $150m tranche used to finance one Boeing 747-400 is split into a debt and an equity portion, with the latter taken up by Bank of America. Tha loan portion, which could account for as much as 65 per cent of the trancha, will have a tenor of 13 years and is likely to be syndicated. The final $300m tranche, arranged by the Korean Development Bank, will be generally syndicated. It has a final maturity of 10 years and pays an all-in return of alightly more than 67 basis points over six-month Libor. *Louise Lucas, Hong Kong*

Mayne Nickless Optus sale slow

Mayne Nickless, the Australian transportation, security and healthcare group, has received one formal "expression of interest" to its 24.99 per cent staka in Optus Communications, the telecommunications group, and is following up "several other leads". If no suitable buyers are forthcoming, Mayne said it will sell the holding – estimated to be worth about A$1bn (US$1.26bn) – to conjunction with the stock market flotation of Optus later this year.

Mayne declined to comment on strong rumours that the one expression of interest received had come from Telecom New Zealand, but acknowledged it was from an overseas buyer. Optus's other shareholders at present inclnde a number of Australian institutional investors, Britain's Cable and Wireless and BellSouth of the US. *Nikki Tait, Sydney*

Alenia venture disposal cleared

The board of the Italian state-owned company Finmeccanica has approved the sale of its Alenia unit's 50 per cent stake in Mac-Alenia Marconi Communications to its equal partner in the joint venture, Marconi. Alenia will cede 45 per cent of its shares to Marconi now, with the rest to be transferred in June 1998 for a total price of L247bn ($161m). Alenia and Marconi, a unit of GEC, set up Mac-Alenia in 1994. *Reuter, Rome*

Promodes expected to sell stores

Promodes is expected to announce the sale of its Dia France chain of discount supermarkets to Germany's Aldi group, Les Echos newspaper reported. The Promodes group's discount chain turnover in Europe has risen to FFr11bn ($217m) from 1,908 shops last year from FFr7.7bn at 1,509 shops in 1993. However, Dia France last year had sales of only FFr1.48bn from 95 stores. Promodes had decided to sell Dia France because of a law passed requiring new stores of more than 300 square metres to obtain official permission. Dia France stores are about 600 square metres. *AFX News, Paris*

Singapore Telecoms placing

Singapore's government investment company has placed 40m shares in Singapore Telecommunications at S$3.68, a 6.5 per cent discount to Thursday's closing price. Temasek Holdings, which owns about 93 per cent of the national telecoms company, placed the shares with foreign funds through SBC-Warburg Singapore. The move will increase the company's free float of roughly 1.5bn shares and dilute a stock trading at more than 30 times projected 1997 earnings. The shares closed at S$3.76 on Friday, down from S$3.92 on Thursday. *James Kynge, Singapore*

KLM sells Northwest shares

KLM Royal Dutch Airlines has agreed to sell 6,654 shares of Northwest preferred stock back to Northwest for around Fl 650m ($380m). At least 60 per cent of the price will be paid within six months, and the rest by July 1 1997. The shares were acquired by KLM in 1989 as part of the funding for the purchase of Northwest by a group in which KLM participated. *Reuter, Amsterdam*

■ JAL, Japan's biggest international airline, forecast a pre-tax loss of Y2bn ($18m) on revenues of Y1,510bn for the year to March 1997 and a net loss of Y5bn. *AFX-Asia, Tokyo*

■ Pechiney chairman Mr Jean-Pierre Rodier has forecast 1996 profits unchanged from the previous year. *Reuter, Paris*

Rembrandt ahead 33% in wake of Richemont merger

By Mark Ashurst in Johannesburg and William Hall in Zurich

Rembrandt, the tobacco and industrial holding company controlled by South Africa's Rupert family, has reported net income ahead 33 per cent for the year ended March 31, from R1.17bn to R1.56bn ($360m).

Earnings per share rose 28 per cent to 283.9 cents a share. A final dividend of R37.95 a share was declared, raising the total dividend for the year by 25 per cent to R62.45.

Analysts said the results were at the upper end of expectations, which were already high after the merger of Rembrandt's tobacco interests with those of Luxembourg-based associate Richemont in January this year. The results included earnings from the merged operation, which had turnover of R7.4bn.

The results are not comparable with last year, when turnover was R5.4bn. Income from so-called "sin" interests – trademarked liquor and tobacco sales – were 30 per cent higher at R806m, or 54 per cent of retained net income after deductions for associates.

Rembrandt owns a third of the merged tobacco interests, Rothmans International Holdings, with the balance held by Richemont. Rothmans yesterday underlined its continuing commitment to the tobacco business by buying the Burrus Group, Switzerland's second biggest tobacco company, with a 22 per cent share of the local market. The groups will merge.

Burrus – run by the Burrus family since 1814 – is the last big family-owned owned tobacco business in Europe and its acquisition is a coup for Rothmans, which previously had less than 5 per cent of the Swiss market, but will now become number two behind Philip Morris.

Richemont, which also has extensive media and luxury goods interests, posted a 16 per cent rise in operating profit for the year to the end of March, to £798.9m ($1.24bn) on net sales revenue 11.8 per cent higher at £4.31bn.

Earnings per share rose 21 per cent to £55.05. The annual dividend per unit was 14 per cent higher at £8. This reflected higher profit from tobacco sales, which rose 21 per cent to £587m.

The gains exceeded the average growth of worldwide sales among Rothmans group companies, which were 2 per cent higher than last year. Volumes in South Africa and the mature markets of Western Europe, Indonesia and Australia fell from last year's levels, bnt were offset by gains in the former Soviet Union, equatorial Africa, the Middle East, Vietnam, Malaysia, Canada and Myanmar.

Steel decline causes BHP to disappoint

By Nikki Tait in Sydney

A steep fall in earnings from its steel division has left Broken Hill Proprietary, the Australian resources group, reporting a 20 per cent fall in profits after tax in the year to the end of May. The company, Australia's largest, made A$1.29bn (US$1.02bn) before abnormal items, compared with A$1.62bn in the previous year.

Earnings after abnormal items fell from A$1.22bn in 1994-95 to A$1.05bn, as the company finally wrote off its ill-fated investment in Vietnam's Dai Hung oilfield in the South China Sea at a cost of A$151m. The write-off of steel-making assets in Newcastle New South Wales, meant a further A$222m charge. These losses were partially offset by a A$65m tax-related abnormal surplus from the Chilean operations.

Analysts had expected BHP's profits to be down on 1994-95's result after its sharply lower third quarter. But the figures were still below their revised estimates – which clustered around A$1.35bn-$1.45bn.

BHP shares had been falling all week in anticipation of the result. On Friday, they closed at A$17.57, down 11 cents on the day and 73 cents – almost 4 per cent – on the week.

Mr John Prescott, BHP's managing director, acknowledged that the results were disappointing but still claimed it had been a year in which BHP laid tbe foundations for its future expansion. Capital expenditure excluding acquisitions was A$3.6bn, with a similar figure budgeted for 1996-97.

The steel division saw profit before abnormal items tumble 44 per cent from A$669m to A$375m on a 5.2 per cent increase in revennes. Mr Prescott said there had been a significant decline in international prices in the second half, while Australian domestic dispatches were 3 per cent down on the previous year. However, be said costs were the division's main cballenge. Raw materials, labour, and transport all rose.

The minerals division made A$1.01bn against A$994m last time, with most areas posting increases.

The exception was copper, where BHP is now the world's second largest producer. The average price booked fell from US$1.27 per pound a year ago to US$1.18.

The recently acquired Magma Copper business in the US also made a lower than expected contribution owing to some commissioning delays and higher unit costs.

Despite the recent turmoil in copper, BHP said it still viewed the metal's fundamentals as "pretty good", and bad not adjusted any investment plans. It was also still dealing with Sumitomo, the Japanese trading house, and was satisfied it was not at financial risk.

Tbe petroleum unit posted profits of A$419m, against A$498m. After tbe write-off, BHP described the outlook for the Dai Hung operations – once seen as Vietnam's most promising offshore prospect – as "bleak".

Negotiations with the Vietnamese authorities would continue over changes to the tax structure of the contract, but it would not operate tbe field once it became cash-negative.

PROFILE:

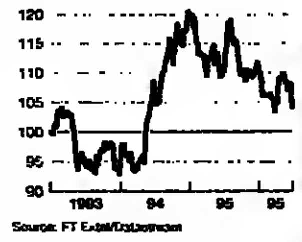
Broken Hill Proprietary

Market value: US$27.19bn Main listing: ASX National Market

Historic P/E	22.68
Gross yield	2.38%
Earnings per share	78.70 cents
Current share price	A$17.68

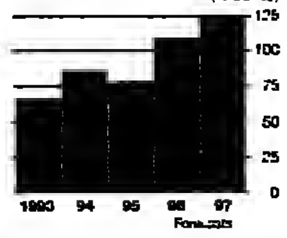
Managing director JB Prescott

SHARE PRICE relative to the Australian All Ordinaries Index



Source: FT Extel/Datastream

Earnings per share (A cents)



Mr Prescott described tbat point as "relatively close".

Revenue for the group was A$19.8bn and earoings per share fell from 78.7 cents to 65.1 cents. Mr Prescott said that there should be no implications for dividend policy.

Von Roll withdraws from steel with sale to rival

By William Hall in Zurich

Von Roll, which used to be Switzerland'a biggest steel producer, is getting out of the industry after more than 100 years. It is selling its steel operation, which has not made a profit since 1990, to von Moos Holding, Switzerland's only remaining steelmaker.

Von Roll, which returned to profit last year after several years of losses, has been agonising for years abont its involvement as a high-cost producer in a cyclical world steel industry. It had closed down its Monteforno works, but had appeared to underline its long-term commitment to the industry by continuing to invest beavily in the modernisation of its Gerlafingen plant.

As Swiss industry struggles to come to terms with the problems of a high currency and life outside the European Union, there has been a growing belief that there was room for only one big Swiss steel company. However, Von Roll's decision to sever its long-standing ties with the industry, by selling its steel business to its smaller rival von Moos for an undisclosed sum, comes as a surprise, given its leading role in restructuring the steel sector.

Dr Max Amstutz, chairman of Von Roll, said on Friday: "Following the collapse of the steel market in the second half of 1995 and prices dropping to the lowest level ever experienced, it finally became clear to Von Roll that the restructuring process had to be carried still further."

He said the merger of the two companies would lead to substantial cost-savings, but was still sceptical tbat steel could meet Von Roll's target of a 15 per ceot return on net operating assets.

Tbe company's decision to sbed its steel operation will allow it to concentrate its resources on its three remaining technology divisions. The proceeds from the disposal will reduce group indebtedoess, and management says net profits could exceed last year's SFr27m ($21.6m) Von Roll's goal is to raise earnings per share from last year's SFr1.21 to SFr4.50, although it will not be drawn oo the timescale.

The outlook for von Moos, which will control up to 50 per cent of parts of Switzerland's domestic steel market and will bave annual sales SFr900m, depends oo its ability to substantially cut costs and capitalise on its strengtbened local market position. Some 570 of Von Roll's 6,000-strong workforce join von Moos but botb sides declined to speculate on the scope for cuts in the combined workforce of 1,900.

MARKETS: This Week

EMERGING MARKETS By John Barham and Kerin Hope

Turkey shrugs off politics

An Islamist government in Turkey, one of the Moslem world's few secularist democracies, should be a nightmare scenario to make fund managers' blood run cold. To make matters worse, the economy is a wasteland of inflation, huge government debts, and chronic financial instability.

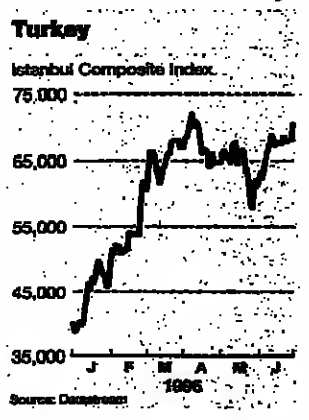
But instead of crashing, the Istanbul stock market is powering ahead with a 7 per cent increase in dollar terms this year.

On Friday, Istanbul's IMKB index rose 3.3 per cent and the dollar was stable against the Turkish lira, even though the Islamist Refah party was concluding its alliance with the conservative True Path party of Mrs Tansu Çiller.

A broker said: "The market rallied on speculation that there is going to be a government and the view that any government will be good news, even if it includes Refah."

Turkey has not had an effective government since last September when Mrs Çiller resigned as prime minister, and called elections in December.

The market began building in the possibility of a Refah-dominated government last summer, driving prices down sharply in dollar terms. By this spring, the IMKB was up by nearly 50 per cent with the formation of a conservative coalition, but fell back in May when the government collapsed after less than 100 days. The index slid by a third and turnover narrowed to $132.5m – half its level in May 1995.



The market may be up again, but some fear it could lose momentum if the Refah-led government pursues populist or Islamist-oriented policies. Meanwhile, there are many who doubt that Refah can last long in power, and see a new political crisis in the offing.

Not everybody thinks political factors are so important. Ms Radhika Ajmera, director of London-based Abtrust fund managers, says: "I am not that worried about Refah. My view has always been that we are backing entrepreneurs and companies which are doing very well."

Analysts expect big increases in corporate profits. Global Securities, a big Istanbul broker, expects 98 per cent real earnings growth in the second quarter after a 71 per cent drop in January-March over the fourth quarter of 1995. Analysts put Istanbul's p/e ratio at just under 6, against 14-20 for emerging markets in Asia.

Optimists are encouraged by the central bank and Treasury's success in keeping the exchange rate on track with inflation. They have revalued the Turkish lira in real terms this year, and are now expected to allow it to decline only slightly in the second half.

The authorities have also stabilised the volatile bond market, avoiding a crisis that could have spilled over into equities.

The Treasury, which had been reduced to rolling over its $37.75bn domestic debt every three months at real interest rates of more than 30 per cent, has convinced the market to accept paper maturing in 1997. Investors had shunned paper that fell due after December because of confusion over their tax-exempt status.

Still, analysts worry that an upset in bonds could hit the exchange rate and push interest rates even higher, driving equities down. Few expect any trouble soon, in spite of the new Islamist-dominated government, because tax and hard currency inflows are usually strong in the summer. However, most brokers advise investors to take great care come the winter.

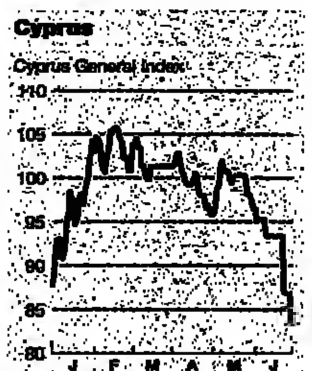
JB

Cyprus acts to ease its growing pains

Cyprus has been suffering growing pains since its transformation in March from an over-the-counter market to an official stock exchange.

After pouring funds into the market early in the year, Greek Cypriot investors have retreated because of concerns over a credit squeeze and the prospect of a poor season for tourism.

The new official index has dropped by more than 8 per cent in the past two weeks amid fluctuations rarely seen in Cyprus's sedate market, closing on Friday at 88.87. Share prices have slipped by about 20 per cent from their peak in February.



However, the central bank's recent decision to raise the ceiling on foreign ownership to 49 per cent of listed companies and 15 per cent of banks is likely to attract more international investors to Cyprus. Restrictions that deterred foreigners, such as the requirement for central bank approval of each market transaction, have also been eased.

With 40 stocks and a market capitalisation of C£1.6bn ($3.4bn), the market still lacks liquidity. Daily turnover averages C£800,000 and brokers complain that few large share blocks are available. One way of deepening the market will be privatisation, now being promoted by the government.

KH

ING BARING SECURITIES EMERGING MARKETS INDICES

Index	28/6/96	Week on week movement Actual	Percent	Month on month movement Actual	Percent	Year to date movement Actual	Percent
World (431)	164.63	+2.94	+1.82	+3.09	+1.91	+17.07	+11.57
Latin America							
Argentina (22)	105.02	+4.67	+4.65	+1.23	+1.19	+12.24	+13.19
Brazil (23)	241.45	+11.43	+4.97	+16.18	+7.18	+55.35	+29.75
Chile (16)	191.35	+0.85	+0.45	+8.05	+4.97	-4.32	-2.21
Colombia (14)	168.83	-3.85	-2.29	-4.2	-2.46	+2.58	+1.57
Mexico (24)	83.58	-0.45	+0.54	-5.27	-5.93	+9.98	+13.55
Peru (13)	1,079.86	+17.42	+1.64	+36.39	+3.49	+10.91	+1.02
Latin America (112)	142.54	+3.92	+2.83	+2.87	+2.06	+19.4	+15.67
Europe							
Greece (18)	108.37	+2.95	+2.8	+1.46	+1.36	+10.4	+10.62
Portugal (20)	135.53	+3.34	+2.53	+5.72	+6.87	+19.08	+15.38
Turkey (25)	119.01	+1.58	+1.35	+18.73	+18.68	+36.21	+43.73
South Africa (30)	147.63	+1.31	+0.89	+2.89	+2.06	-5.75	-3.75
Europe (134)	125.62	+1.87	+1.51	+5.36	+4.46	+4.09	+3.36
Asia							
China (24)	45.15	+0.12	+0.27	+1.5	+3.43	+4.83	+11.98
Indonesia (31)	146.52	+5.31	+3.76	-6.32	-4.14	+7.88	+5.68
Korea (23)	112.75	-3.36	-2.88	-13.94	-11.0	-24.15	-17.64
Malaysia (23)	257.64	-2.18	-0.84	-2.56	-0.98	+30.27	+13.31
Pakistan (14)	90.27	-0.71	-0.78	-0.61	-0.67	+16.68	+22.68
Philippines (14)	336.62	+4.57	+1.38	+0.29	+0.09	+77.45	+29.89
Thailand (25)	239.77	+2.08	+0.88	-14.27	-5.62	-12.12	-4.81
Taiwan (31)	182.4	+7.18	+4.1	+26.59	+17.06	+51.58	+39.43
Asia (185)	227.33	+2.41	+1.07	+1.61	+0.72	+24.28	+11.96

All indices in $ terms, January 7th 1992=100. Source: ING Baring Securities.

INTERNATIONAL BONDS By Conner Middelmann

Primary eurobond market in line for record year

If the past six months are anything to go by, 1996 will be another record year in the primary eurobond market.

Large pools of cash, created by highly profitable trading in 1995, and high bond redemption volumes in the current year have led to strong investor demand, while supportive economic fundamentals and relatively stable bond markets have further fuelled the bond bonanza.

As a result, $347.6bn of eurobonds have been issued this year, more than 50 per cent more than the $222.7bn sold during the same period last year, data from Euromoney Bondware show. Some 40 per cent of this year's issuance has been accounted for by US dollars, with D-Marks making up 17.9 per cent and yen accounting for 7.7 per cent.

The French franc sector accounted for 7.4 per cent of new issues, up from 3.6 per cent at the same time last year, boosted in part by the FFr25bn of bonds for Cades, the French government agency set up to manage the country's accumulated social security debts. Sterling bonds increased their market share to 7.3 per cent from 5 per cent last year.

Fierce competition among underwriters has also worked in borrowers' favour. So eager have some newcomers been to capture business that they subsidise swaps and hold on to loss-making secondary bond positions just to get the mandates, bankers say.

"Many commercial banks are willing to pay a high price to break into the international fixed-income business," said one syndicate official.

Nonetheless, the underwriters' league tables remain dominated by US investment houses rather than their commercial bank competitors. Merrill Lynch has held on to its lead of the past two years with $34bn of deals, followed by Morgan Stanley with $30.9bn of bonds, Goldman Sachs with $18bn, SBC Warburg, CS First Boston and Lehman Brothers.

Deutsche Morgan Grenfell, the German bank which has been aggressively recruiting capital markets specialists this year, is in seventh place, followed by J.P. Morgan, Union Bank of Switzerland and ABN Amro Hoare Govett.

Reflecting the sharp decline in yen issuance, the Japanese banks have fared poorly. Nomura Securities, which stood in fourth place this time last year, has slumped to 12th, Daiwa has fallen to 18th from 11th place, and Nikko has slipped to 21st from 17th.

An important feature this year has been the tremendous investor appetite for securities that offer a yield pick-up over government bonds. This has resulted in a surge in issuance of emerging market debt and asset-backed securities – the latter including the jumbo $4bn securitisation for GPA, the Irish-based aircraft leasing company.

European interest in asset securitisation has grown sharply: recent months have seen the first credit card-backed offering in D-Marks – DM1bn for Citibank – and France's largest securitisation, a FFr5bn deal backed by loans to pharmacists. More supply is in the pipeline: Fortis, the Dutch-Belgian financial group, is preparing the first guilder-denominated asset-backed deal, Fl 500m of 10-year bonds, while Discover, the US credit card company, plans to issue DM1bn of bonds.

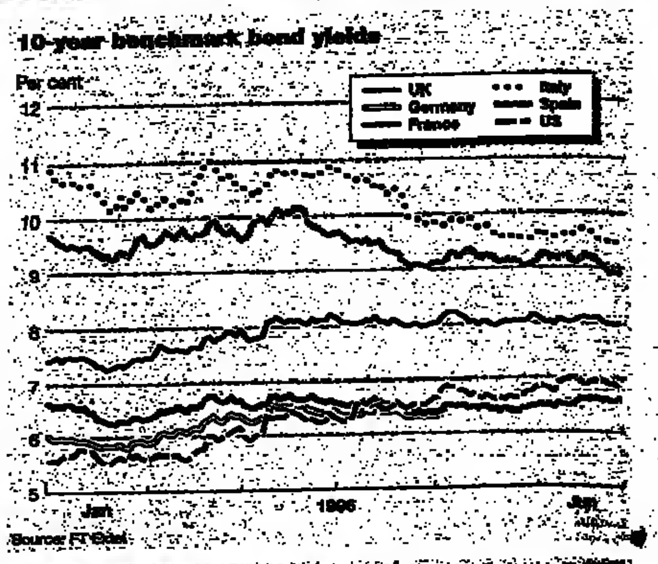
"Investors – especially those who buy floating rates – are crying out for this instrument; it is the only way they can get triple A rated paper with a yield above Libor," said Mr David Tory of Merrill Lynch.

A shift is also taking place in investors' credit perceptions, with fund managers who previously bought only triple A and double A rated paper becoming increasingly receptive to single A rated bonds – especially large, liquid transactions like Disney's $2.6bn of five-year and 10-year bonds.

"This trend is driven by a hunger for yield, but also by investors' need to take a more diversified approach to the market to generate above-average performances," said one banker.

Looking forward, traders see no big stumbling blocks looming, although some say the borrowing frenzy of the first six months may run out of steam in the second half.

"The major borrowers are so far ahead of their borrowing schedule, it's hard to imagine that the second half will be as active as the first," said Merrill's Mr Tory.



BENCHMARK RATES AT A GLANCE

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INTERNATIONAL BOND ISSUES BY CURRENCY

1996* Rank	Currency	Total raised ($bn)	No. of issues	1995* Rank	Total raised ($bn)	No. of issues
1	US$	137.98	658	1	[illegible]	[illegible]
2	D-Mark	62.28	221	2	[illegible]	[illegible]
3	Yen	26.85	[illegible]	3	[illegible]	[illegible]
4	FFr	25.67	58	7	[illegible]	[illegible]
5	Sterling	25.37	115	5	11.31	[illegible]
6	SFr	14.74	168	4	14.09	129
7	Lira	11.72	63	8	[illegible]	[illegible]
8	Guilder	11.50	51	9	6.96	[illegible]
9	A$	6.09	69	10	4.17	47
10	Peseta	5.41	46	12	1.67	[illegible]

*First six months. Source: Euromoney Bondware

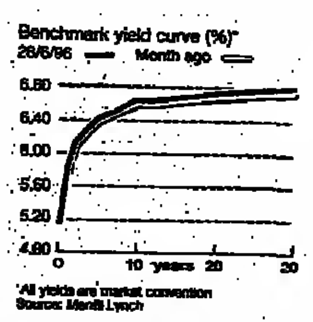
NEW INTERNATIONAL BOND ISSUES

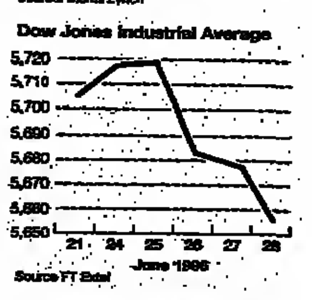
Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
AT&T UCCMT 96-2, Cls A(c)‡	850	Jan 1999	(c1)	100.00R		-	Lehman Brothers
International Finance Corp	500	Jul 2001	6.875	99.77R	6.931	+10(Wi 5yr)	DKB Intl/JP Morgan
Associates Corp of Nth America	300	Jul 1999	6.75	99.836R	6.812	+20(6⅜%-99)	Lehman Brothers/UBS
PLDT(§)	175	Jan 2006	9.25#	99.877R	9.300	+240(6⅞%-06)	Citibank/Lehman Bros
PLDT(§)	125	Jan 2006	8.50#	99.687R	8.580	+175(5⅝%-03)	Citibank/Lehman Bros
ING Bank‡	250	Jul 1998	(d)	99.94R		-	Goldman Sachs/UBS
Halifax Building Society	200	Jul 1999	6.625	99.80R	6.701	+10(6⅜%-99)	Paribas Capital Markets
Helaba Finance(i)	200	Jul 2000	6.75	99.943R	6.767	+50(i)	ABN Amro Hoare Gvtt
Morgan Guaranty Tst Co of NY	200	Jul 1999	6.625	99.871R	6.674	+8(6⅜%-99)	JP Morgan Securities
City of New York, A(i)	62.5	Aug 1997	6.375#	99.941R	6.428	+40.8(6%-97)	Citibank International
City of New York, B(i)	39	Aug 1998	6.75#	99.931R	6.783	+47(Wi 2yr)	Citibank International
City of New York, C(i)	41	Aug 1999	7.00#	99.898R	7.108	+82(6⅜%-99)	Citibank International
City of New York, D(i)	38	Aug 2000	7.375#	99.906R	7.400	+73(6⅜%-00)	Citibank International
Foreningsbanken(b)‡	50	Jul 1998	(b1)	99.914		-	Salomon Brothers Intl
Peoples Republic of China	700	Jul 2001	7.375#	99.565R	7.481	+80(6⅝%-01)	CSFB/Morgan Stanley
Captiva Finance, A1-B(r)‡	255	Dec 2001	(r1)	100.00		-	Citibank International
BMW US Capital Corp(s)	200	Dec 1999	6.75	99.932R	6.791	+22(6⅜%-99)	Dresdner/Goldman
Mobil Australia Finance	200	Jul 1998	6.375	99.933R	6.412	+38(6¼%-98)	SBC Warburg
Bufete Industrial	100	Jul 1999	11¾#	99.616R	11.53	+505(6⅞%-99)	JP Morgan Securities
SLM SLT 1996-3(u1)‡	901	Oct 2004	(u2)	100.00	-	-	Goldman Sachs & Co
SLM SLT 1996-3(u3)‡	553	Oct 2009	(u4)	100.00	-	-	Goldman Sachs & Co
National Power	350	Jul 2001	7.125	99.74R	7.189	+39(6⅝%-01)	JP Morgan Secs/UBS
Electrobras(v,λ)	250	Jul 2004	10.00#	99.248R	10.06	+338(6⅝%-01)	ABN Amro/Salomon
Commerzbank‡	200	Jul 2006	(w)	100.00	-	-	Yamaichi Intl(Europe)
Hewlett-Packard Co(x)	200	Dec 1999	6.50	99.751R	6.60	+10(6⅜%-99)	HSBC Markets
Bahia sul Celulose(A)	100	Jul 2004	10⅝#	99.95R	10.54	+409(6⅝%-01)	Citibank International
ADI Corp(z)§	60	Jul 2003	1.50	100.00	-	-	Jardine Fleming
D-MARKS							
Daimler-Benz Capital(Lux)(p)§	750	Jul 2003	4.125	98.50	-	-	Deutsche Morgan G'fell
Sires (Lines)(e,s)	100	Apr 2005	8.25	100.00R	-	-	Merrill Lynch Bank
Siemens Capital Corp(j)§	250	Jul 2001	1.00	85.63	-	-	Deutsche Morgan G'fell
Crédit National‡	500	Jul 2001	(l)	99.925R	-	-	Dresdner Bank-KB
Stadtsparkasse Koeln	300	Jul 2006	6.75	101.977	6.478	-	WestLB
Venezuela Investments(y)	100	Apr 2007	15.00#	89.00	15.31	-	Paribas Capital Markets
YEN							
Tokai Finance(Curacao)(k)★	23bn	-	-	-	-	-	Tokai Bank Europe
Bacob Overseas★‡	10bn	Jul 2000	(m)	103.05	-	-	Nomura International
Swedish Export Credit(n)★	10bn	Jul 1998	7.00#	100.00	-	-	IBJ Intl/Wako Intl
SWISS FRANCS							
Deutsche Finance Neths(a)§	100	Jul 2001	1.00	101.00	-	-	Deutsche MG/SBCW
Abbey Natl Trsy Services(o)	300	Dec 1999	4.00	102.25	-	-	C Suisse/SBCW/UBS
STERLING							
Den Danske Bank(f)‡	125	Jul 2007	(f1)	100.00	-	-	BZW
Société Générale(g)	100	undated	9.125	99.293R	9.247	+105(7½%-06)	UBS
Birmingham Midshires B/S(h)‡	100	Jul 2001	(h1)	99.86	-	-	SBC Warburg
DePfa Finance(s)	150	Dec 2001	7.75	99.97R	7.773	+20(7%-01)	Nikko Europe
Hyder(B)	150	Jul 2006	8.75	99.552R	8.819	+88(7½%-06)	HSBC Markets
LUXEMBOURG FRANCS							
Banque Générale du Lux(f)	2bn	Dec 2004	6.50	102.65	6.07	-	BGL
International Finance Corp(l)	2bn	Dec 2004	6.375	102.25	6.012	-	BIL
Great Belt(e)	2bn	Dec 2000	5.375	101.694	4.899	-	ABN Amro Hoare Gvtt
Aalk-Cger Vico	2bn	Aug 2001	5.75	101.95	5.298	-	Banque UCL
FRENCH FRANCS							
DSL Finance(s)	1.5bn	Oct 2006	6.75	99.601R	6.804	+12(6½%-06)	BNP
McDonalds Corp	1bn	Jul 2006	6.75	99.47R	6.825	+21(l)	Société Générale
Titriphar 06-96, A1(q1)‡	1.755bn	Apr 2000	(q2,l)	100.00R	-	-	Crédit Lyonnais
Titriphar 06-96, A3(q3)‡	1bn	Jan 2004	(q4,l)	100.00R	-	-	Crédit Lyonnais
Titriphar 06-96, A4(q5)‡	1.245bn	Jan 2005	(q6,l)	100.00R	-	-	Crédit Lyonnais
DePfa Finance(s)	1bn	Mar 2001	5.50	98.613	5.840	+20(5¼%-01)	CCF
Province of Ontario	3bn	Jul 2000	6.875	99.422R	6.948	+28(l)	BNP/Paribas/JP Morgan
ITALIAN LIRE							
Crédit Local de France(c)	150bn	Jan 2001	9.00	101.40R	8.639	-	Credito/JP Morgan
World Bank‡	300bn	Aug 2003	(C)	99.94R	-	-	Cariplo/M dei Paschi
AUSTRALIAN DOLLARS							
Export Development Corp★	150	Jul 1999	8.00	100.00	8.000	-	DKB/Kankaku(Europe)
Queensland Treasury Corp★	100	Jul 2001	8.00#	99.991	8.002	-	Nomura International
International Finance Corp	100	Aug 1999	8.25	101.285	7.761	-	CBA
Deutsche Bank Australia(l)	150	Aug 2000	8.50	101.372	-	-	Deutsche Morgan G'fell
World Bank	100	Jul 2000	8.25	101.36	7.847	-	Toronto Dominion Bank
PESETAS							
European Investment Bank	10bn	Jul 1999	7.40	100.92	7.054	-	Banco Bilbao Vizcaya
CANADIAN DOLLARS							
Bayerische Landesbank(l)	100	Oct 2001	7.25	99.887R	7.302	+5(7½%-01)	ScotiaMcLeod
Canada Mtg & Housing Corp(l)	200	Sep 2001	7.25	99.77R	7.297	+1(7%-01)	RBC Dominion Secs
DANISH KRONER							
Oeresundsforbindelsen(s)	400	Jun 2001	6.50	101.95	6.03	-	Den Danske Bank
Rabobank Nederland	690	Dec 2002	zero	67.05	6.515	-	Bank Brussels Lambert
NEW ZEALAND DOLLARS							
SocGen Australia	100	Jul 1998	9.50	100.975	8.946	-	Hambros Bank
CZECH KORUNA							
EBRD	1.5bn	Jul 1997	11.50	100.00R	11.50	-	ING Barings

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ◊With equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Conversion price: DM890.76. Callable after 4 yrs subject to 130% hurdle. Increase option: DM200m. Greenshoe: DM250m. Quarterly coupons. b) Convertible into Deutsche Bank shares at SFr68.10. c) AT&T Universal Credit Card Master Trust. Legal maturity: Jun 2001. c1) 3-mth Libor +7bp. c2) Class B: $80m. Jan 1999. 3-mth Libor +21bp, par. d) 6-mth Libor +⅛%. e) Secured by Hamburgische LB zero coupon bonds and Argentine $ FRN Brady bonds. Recommended re-offer. f) Callable from Jul 2004 at par. f1) 3-mth Libor +⅜% to Jul 2004, then +1⅛%. g) Callable on 7/12/06 and every 5 yrs at par. If not called coupon steps up to 205bp over the then 5-yr gilt on 7/12/06 and +250bp thereafter. h) $700m launched 18/6/96 increased to $150m. h1) 6-mth Libor flat. i) Over interpolated yield. j) Conversion price: DM104.375. Callable from 17/7/98 at accreted value. Issuer has option after 2 yrs to deliver cash. k) 4-tranche issue. l) Long 1st coupon. m) 2yr Yen/Yen swap rate, paid quarterly. n) Redeemed in Aus$. o) Callable from Jul 98 at par. o1) 3-mth Libor +⅛%. p) Oesterreichische Pfandbrief. q1) Av life: 2.08 yrs. q2) 3-mth Pibor +15bp. q3) Av life: 6.07 yrs. q4) 3-mth Pibor +28bp. q5) Av life 7.87 yrs. q6) 3-mth Libor +30bp. q7) Tranche A2 of FFr1bn was privately placed, terms undisclosed. r) 3 similar tranches of $85m. Legal maturity: 15/6/08. r1) 3-mth Libor +50bp. r2) Subordinated tranche was privately placed. s) Short 1st coupon. t) 3-mth Libor +12½bp. u) SLM Student Loan Trust. u1) Av life 2.65 yrs. u2) 3-mth T-bills +49bp. u3) Av life 7.15 yrs. u4) 3-mth T-bills +80bp. u5) B certs: $32¾m, 3-mth T-bills +80bp, av life 8.8 yrs, par. v) Puttable on 8/7/01 at 99¼%. w) 3-mth Libor +25bp. x) Fungible with 1,400bn. Plus 38 days accrued. y) DM100m launched 17/6/96 was increased to DM200m. Secured by $ denominated Brady bonds. Amortises in 21 equal instalments from 2/7/97. z) Conversion price: NT$29.589. FX: 27.516NT$/US$. Puttable in 5 yrs at 140.31%. Callable after 3 yrs subject to 145% hurdle. Refixing clause after 2 & 3 yrs, 80% floor. Overallotment option: $10m. A) Callable and puttable on 10/7/01 at par and 99½% respectively. B) Standard utility investor put option. C) 6-mth Libor flat; max 50bp increases. Note: Yields are calculated on ISMA basis.

MARKETS: This Week

NEW YORK By Maggie Urry





Interest in the two-day Federal Reserve Open Market Committee meeting which starts tomorrow waned towards the end of last week as the bond market took the view that the policymakers would not increase interest rates, at least this time round.

The yield on the long bond, which has been above 7 per cent since the May employment report shocked the market with a much higher than expected rise in payroll numbers, dipped below that rate again.

However, there is still the chance that the FOMC will make a statement hinting at the future course of interest rates, and the market is no longer discounting bad news.

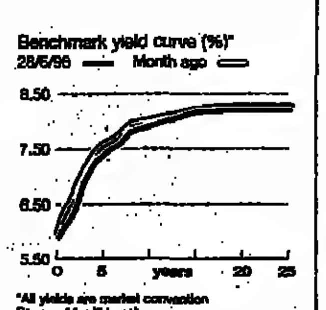
Further, this Friday sees the publication of the June employment figures. The statistic has become a market-mover ever since the February number led to a sharp sell-off in the stock and bond markets in early March.

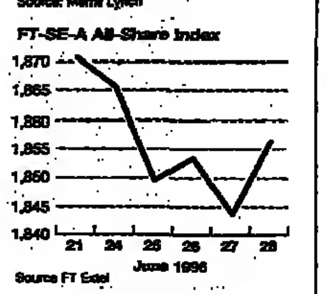
According to a survey by MMS International, the median forecast is for a rise of 150,000 in non-farm payroll numbers. That would be well below the 348,000 for May, but is still a robust number suggesting second-quarter economic growth has been well above a sustainable level.

Among other news this week that could affect the markets is today's National Association of Purchasing Manager's index, where MMS says forecasts are for 51 per cent, up from May's 49.3 per cent. Coming the day before the FOMC meeting starts, that number could carry a lot of weight with the market, say economists at CIBC Wood Gundy Securities.

Other figures this week include construction spending, home sales and factory orders. However, the markets are also likely to be in the grip of holiday fever, and will be closed for Independence Day on Thursday.

LONDON By Philip Coggan





Interest rates will once again be the focus this week, with the Open Market Committee of the US Federal Reserve meeting in Washington and the latest pow-wow between the chancellor and the governor of the Bank of England taking place in London.

UK markets are unlikely to make much progress until it becomes clear whether the Fed, as some fear, will act to raise rates. The end of the week might see some odd trading patterns since on Thursday the US enjoys its Independence Day holiday and Friday sees the publication of the highly market-sensitive non-farm payroll figures.

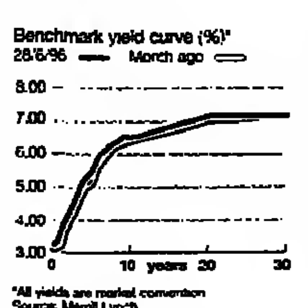
The last UK monetary meeting produced a surprise rate cut, and statistics since then have appeared to back the chancellor's judgment. That may mean he will feel emboldened to press for a further reduction; but Mr John Shepperd, chief economist at Yamaichi International (Europe), says "there is a good case for waiting at least another month to avoid giving the impression of politically-inspired indecent haste".

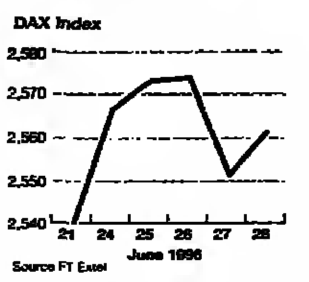
Gilts showed some strength last week, helped by a rally in US Treasuries and a successful £3bn auction. But equities seem already to be stuck in the summer doldrums. The FT-SE 100 index drifted towards the lower end of its recent 3,650 –3,850 range: mainly, it seemed, because of a lack of buying interest.

With only a couple of leading companies due to report this week – Scottish & Newcastle and GEC – it is hard to see what will provoke investors' interest.

The purchasing managers' index will give the month's first clue as to the health of the economy, but the key figures are not due for a couple of weeks.

FRANKFURT By Andrew Fisher





Nothing was expected and nothing happened, but the markets still reacted with disappointment over the Bundesbank's unchanged interest rate stance last week. It left the securities repurchase (repo) rate at 3.30 per cent – still holding open the possibility of a cut later – and expressed the hope that M3 would retreat from its steep annualised rises of recent months.

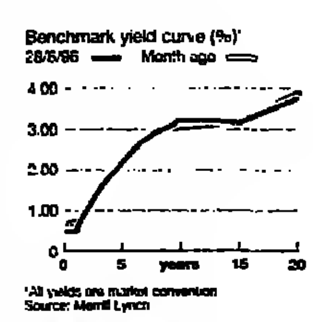
Mildly confident noises were also made about the economy. These upset the bond market, which took them to imply that no further interest rate cuts were in the offing. However, economists have not totally ruled out another repo cut. As for M3, the Bundesbank will review its 1996 target range of 4-7 per cent in July and see whether it is likely to be met or needs revising.

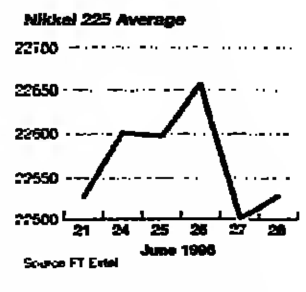
For now, said Mr Hans Tietmeyer, the central bank's president, it will follow a "steady-as-she-goes" monetary policy. He also expressed the desire for a strong dollar, having welcomed the reversal of the D-Mark's over-exuberant rise last year. However, because his monetary remarks were interpreted as closing the door on further interest rate reductions, the dollar eased.

The stock market was also affected by the backwash of the Bundesbank meeting. The DAX index closed on Friday just below recent record levels, having been helped by sharply higher 1995 profits at the Allianz insurance group.

Though these were much as foreshadowed, dealers took the chance to reverse the previous decline in Allianz shares, a big component of the DAX and held by many investors as a proxy for the German market because of the group's industrial stakes. Once the interest rate scene clears, further good news about the economy should buoy the DAX further.

TOKYO By Emiko Terazono





Weaker industrial production figures released last Thursday helped calm jitters over a possible rise in interest rates, providing support for Tokyo bond and stock markets.

With May industrial production rising 2.3 per cent from the previous year – well below expectations, and sending a conflicting message from surprisingly high first-quarter GDP growth figures released earlier this month – investors will continue to try and assess the exact pace of economic recovery.

This week they will be focused on how monetary authorities in the US and Japan see prospects for economic growth and interest rates. The US FOMC is convening this week and the Bank of Japan will hold its quarterly branch managers' meeting.

At the BoJ meeting, heads of branches around the country will discuss regional economic conditions. They are likely to confirm that recovery remains gradual. Mr Yasuo Matsushita will hold a press conference on Wednesday to report on the discussions.

The meeting will give bond traders an excuse to refrain from trading, and prices are likely to stabilise following the confirmation of a gradual recovery. Stable long-term interest rates will provide underlying support for the stock market, and the Nikkei index is expected to move in a narrow range between 22,500, the current support level, and 23,000.

While some investors have started to take profits, "there isn't much reason for a large fall", said Mr Yuichi Matsushita of Nikko Securities.

With the Nikkei up by 50 per cent from its low last July, investors who have already stocked up on large capital and international blue chips are looking for issues to buy.

COMMODITIES By Richard Mooney

Focus set to remain on copper

Copper seems certain to remain the centre of attention in the commodities world this week, with traders keen to see whether the calmer sentiment that emerged in the market towards the end of last week can be maintained.

Prices of the metal on the London Metal Exchange bounced from the lows reached in mid-week and on Friday were consolidating at the higher levels. At the same time, the cash premiums were narrowing as traders came to the conclusion that orderly liquidation of Sumitomo Corporation of Japan's massive holding was under way, easing the squeeze on holders of "short" positions.

LME dealers said last Friday that further, relatively modest gains were possible as the market continued the "correction" following the price plunge triggered by revelation of the scale of Sumitomo's losses. In the longer term, however, many thought the market would ease lower as expectations of a growing supply surplus were reasserted.

Mr Angus MacMillan, research manager at Billiton Metals, part of Gencor of South Africa, suggested copper prices could be at $1,600 a tonne by the end of this year. "That would cover the cash [operating] costs of most of the industry," he said.

Mr Nick Moore at the Flemings Global Mining Group forecast that copper would range between $1,760 and $1,984 over the next two years.

● Events this week include a presentation to the Association of Mining Analysts in London tomorrow by Cyprus Amax Minerals of the US.

Also tomorrow, the four-day West African International Mining Exhibition and Conference will begin in Accra, Ghana.

On Wednesday, the International Primary Aluminium Institute will release its stocks data for May.

Today in Abidjan, the Ivory Coast's capital, the United Nations Common Fund for Commodities begins its four-day annual workshop on commodity development in Africa.

In Paris, on Friday trading in the new European milling wheat futures contract will commence at the Matif.

OTHER MARKETS Compiled by Michael Morgan

MOSCOW

Expectations that the incumbent Russian president, Mr Boris Yeltsin, was likely to be re-elected on Wednesday kept the equity market soaring in the early part of last week before a bout of second thoughts brought a pull-back on Thursday and Friday. Nonetheless, the Moscow Times index still advanced sharply on the week, taking its rise since mid-May to about 90 per cent.

Much of the demand was said to be from foreign investors who began buying the market after the first round of presidential elections on June 16.

Local analysts identified another new trend: investors were looking beyond the top five to eight most liquid shares and were actively seeking out second-tier stocks.

ING Barings believes the country is entering a period that will be very positive for Russian markets of all asset classes. However, it warns that excessive enthusiasm should be tempered with realism.

In the Russian context, a Boris Yeltsin-Alexander Lebed combination might represent something of a dream election ticket, but experience since the onset of transition has demonstrated that progress has been anything but smooth and that this is unlikely to change.

The incoming administration would need to deal with a series of daunting problems, ranging from finding a permanent solution in Chechnya and curbing the excesses of corruption, to tightening significantly and quickly the fiscal stance in order to bring down interest rates and avoid a rapid escalation of internal indebtedness.

MADRID

The equity market looked rather as if it could not make up its mind where to go last week, with shares flat on Friday in relatively thin trade, enlivened only by some end-of-quarter window dressing.

However, Robert Fleming Securities says the market's current level, back at that seen in pre-election optimism relative to the rest of Europe, makes no allowance for a long-term downgrading of political hopes for the market.

It recommends an underweight exposure to the market, arguing that the performance relative to Europe since the election makes no allowance for the fact that the new government has been forced to pull some important punches, nor for the longer-term risk that the Popular Party could prove to have peaked with the 1996 result. The easing of interest rates was coming to an end and Emu-inspired performance in the bond market left little to chance.

NORDIC

Export performance is a significant driving force behind Nordic equity market performance, particularly for Sweden, and while a pick-up in European activity in the second half of this year might be deemed supportive, there are signs that the best of the Nordic run has already been seen, according to NatWest Markets.

It says that the relative performances in the region have differed markedly, with Sweden the leader – appreciating by 14.9 per cent in local currency terms since the start of the year, and by 38 per cent over 18 months. Such gains have provided some stimulus to Norway, which is up 13.4 per cent this year. However, Denmark has been struggling, alongside Finland in a relative context, indicating that the Scandinavian markets do not always move as a block.

HONG KONG

Investors will be tuned to this week's meeting of the US Federal Open Market Committee on interest rates, *writes Louise Lucas*. In the absence of domestic news, the outlook on US interest rates is a key theme in the market.

Specific attention is likely to be focused on the 20 Hong Kong-listed China companies, or H shares, in anticipation of an easing in credit on the mainland in the second half of the year.

CURRENCIES By Philip Gawith

Foreign exchange markets to deliver verdict on G7

Foreign exchange markets have two important meetings to look forward to this week, but the tone of their activities is likely to be determined by the market's considered response to last Friday's G7 statement on currencies.

The G7 said it welcomed the "broad moves in the major currencies" over the past year, adding that these were both "positive and promising" developments.

"Promising" is clearly a word which connotes a sense of something unfulfilled, and it is difficult to believe the G7 did not realise this. To that extent, the communiqué looks like an invitation to buy more dollars.

Against that, Mr Robert Rubin, the US treasury secretary, said on Friday that the currency statement in the communiqué was not intended to imply a further rise in the dollar.

This week is likely to determine just how much of a green flag the market deems it has been given. The immediate focus is likely to be on the dollar/yen rate, which has been flirting for some time now with Y110. A sustained inability to break through will have to cast doubt on the momentum behind the dollar, but a breach could well take it into new, higher trading ranges.

At the moment the prevailing view is that both the US and Japan are happy with current levels, with neither appearing to have much appetite for a stronger dollar.

The two events which could feed into this thinking are the Bank of Japan's branch managers' meeting, and the gathering in the US of the Federal Open Markets Committee.

The BoJ meeting is unlikely to deliver any increase in rates since the clear message of inflation, industrial production and unemployment figures out last week was that the economy remains weak.

In the US, the FOMC is expected to leave rates unchanged. The employment report on Friday will also be closely watched. On the political front, the key event is the Russian election. Recent developments would appear to favour a dollar-friendly Yeltsin victory.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Tomkins (UK)	Gates Corporation (US)	Auto components	$1.37bn	Regulatory consents received
Illinois Tool Works	Azon (Australia)	Metal products	$237m	Riding to rescue
ADT (Bermuda)	ASH (UK)	Security services	$131.1m	Recommended offer
KPN-Telia (N'lands/Swed)	Telecom Eireann (Ireland)	Telecoms	$115m	Strategic partnership
Seagate (US)	Holistic Systems (UK)	Computer services	$84m	Software buy
Investec Bank (S Africa)	Israel General Bank (Israel)	Banking	$48m	Control stake
BPB Industries (UK)	Gypsum Industries (S Africa)	Plasterboard	$42m	Stake nears 85%
Van der Horst (S'pore)	Super Indah Makmur (Indonesia)	Packaging	$19m	Pursuing listing objectives
RMC (UK)	Nowa Huta (Poland)	Cement	n/a	Stake gives foothold
GWR (UK)	Radio Edelweiss (Austria)	Broadcasting	$3.4m	Deferred element

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, June 28, 1996. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7380.56	4750.00	3120.48	4330.58
Albania	(Lek)	154.293	99.3000	65.2345	90.5320
Algeria	(Dinar)	85.6140	55.0987	36.1974	50.2345
Andorra	(French Fr)	7.9991	5.1483	3.3821	4.6937
	(Sp Peseta)	199.214	128.215	84.2301	116.894
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

		£ STG	US $	D-MARK	YEN (X 100)
Greece	(Drachma)	374.073	240.755	158.163	219.497
Greenland	(Danish Krone)	9.1135	5.8655	3.8533	5.3478
Grenada	(E Carib $)	4.1963	2.7000	1.7738	2.4618
Guadeloupe	(Local Fr)	7.9991	5.1483	3.3821	4.6937
Guam	(US $)	1.5538	1	0.6569	0.9117
Guatemala	(Quetzal)	9.5265	6.1311	4.0278	5.5897
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

		£ STG	US $	D-MARK	YEN (X 100)
Oman	(Rial Omani)	0.5983	0.3851	0.2530	0.3511
Pakistan	(Pak. Rupee)	54.3891	35.0050	22.9963	31.9141
Panama	(Balboa)	1.5538	1	0.6569	0.9117
Papua New Guinea	(Kina)	1.9971	1.2853	0.8444	1.1718
Paraguay	(Guarani)	3169.75	2040.00	1340.17	1859.87
Peru	(New Sol)	3.7935	2.4416	1.6038	2.2259
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Energy International N.V.

(Incorporated with Limited Liability in the Netherlands Antilles)

Shareholders in Energy International N.V. ("the Fund") are convened to attend the Annual General Meeting of Shareholders to be held on Wednesday, 31st July, 1996 at 10.00am at the registered office of the Fund at Pietermaai 15, Willemstad, Curaçao, Netherlands Antilles.

The items on the agenda are:-

1) Approval of the Report of the Board of Management on the Fund's affairs for the year from 1st April, 1995 to 31st March, 1996.
2) Approval and adoption of the balance sheet as at 31st March, 1996 and of the statement of operations for the year ended 31st March 1996.
3) Ratification of the actions of the Board of Management for the year ended 31st March, 1996.
4) To declare a dividend of US$1.80 per share for the year ended 31st March, 1996.
5) Election of the Members of the Board of Management.

In order to attend the Meeting in person or by proxy and to have their votes registered at the Meeting, holders of bearer shares must deposit their share certificates (or a deposit receipt for the share certificates) mentioning their names, addresses and nationalities at the registered office of the Fund not later than 24th July, 1996.

The Fund's Audited Annual Report to 31st March, 1996, proxy forms and deposit receipts are available to bearer Shareholders from the Fund's Administrator or any of the Paying Agents.

Administrator:
Mercury Asset Management Channel Islands Ltd.
Forum House, Grenville Street, St. Helier, Jersey, JE4 8RL, Channel Islands

Paying Agents:
Banque Internationale à Luxembourg SA
69 Route d'Esch
L-1470, Luxembourg

Commerzbank Aktiengesellschaft
Neue Mainzer Strasse 32-36
60261 Frankfurt am Main, Germany

Westdeutsche Landesbank Girozentrale
Herzogstrasse 15
40217 Düsseldorf, Germany

By order of the Board of Management
1st July 1996

SIGMA SECURITIES S.A. - MEMBER OF THE ATHENS STOCK EXCHANGE
TEL: (301) 3311456 - 3245674 REUTERS PAGES: ATGG-H-I
FAX: (301) 3252241 - TELEX 210733 ATRA GR TELERATE PAGES: 17890-1-2
Contact Name: Mr John Marcopoulos/Ms Athina Dessypri

ATHENS STOCK EXCHANGE June 24th - June 28th 1996 — GREECE

				GDP (USD bn) 96e	121.00
ASE INDEX	910.12	P/E (after tax) 96e/95e	10.9 / 12.2	Per Capita Income (USD)	11,550
%Chg (2/1/96)	0.71	EPS GROWTH (%) 96e	10.9	Inflation Rate (% Y.O.Y. May 96)	9.10
Yearly High	1026.02	P/E 96e/EPS GROWTH (%)96e	1.00	12 Month T-bill (%, end of May issue)	13.30
Yearly Low	897.31	P/CE 96e/95e	9.5/ 9.0	1-Month Athibor (%)	15.42
WEEKLY VOLUME (USD m)	169.12	P/BV 96e/95e	2.3/ 2.9	GRD/US$	240.72
%Chg (Prev. Wk)	63.83	Div. Yield (%) 96e/95e	6.0/ 4.9	A.S.E. Market Capitalisation - 28/6/96 (USD bn)	23.71
1 Y Wk Avg (USD m)	146.24			IPOs & Rights Issues (in USD m) 1 Jan '96-28 June '96	538.28

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jun 28 / Sch)

BELGIUM/LUXEMBOURG (Jun 28 / Frs.)

CZECH REP (Jun 28 / Koruna)

DENMARK (Jun 28 / Kr)

FINLAND (Jun 28 / Mkk)

FRANCE (Jun 28 / Frs.)

GERMANY (Jun 28 / Dm.)

GREECE (Jun 28 / Drachma)

ITALY (Jun 28 / Lire)

NETHERLANDS (Jun 28 / Fls.)

NORWAY (Jun 28 / Kroner)

POLAND (Jun 28 / Zloty)

PORTUGAL (Jun 28 / Escudo)

SPAIN (Jun 28 / Pts.)

SWEDEN (Jun 28 / Kronor)

SWITZERLAND (Jun 28 / Frs.)

TURKEY (Jun 28 / Tk Lira)

PACIFIC

JAPAN (Jun 28 / Yen)

HONG KONG (Jun 28 / H.K.$)

INDONESIA (Jun 28 / Rupiah)

MALAYSIA (Jun 28 / MYR)

NEW ZEALAND (Jun 28 / NZ $)

SINGAPORE (Jun 28 / S$)

AUSTRALIA (Jun 28 / Aust$)

SOUTH KOREA (Jun 28 / Won)

TAIWAN (Jun 28 / TW $)

THAILAND (Jun 28 / Baht)

AFRICA

SOUTH AFRICA (Jun 28 / Rand)

NORTH AMERICA

CANADA

MONTREAL (Jun 28 / Can $)
4 pm close

TORONTO (Jun 28 / Can $)
4 pm close

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1996. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

FT FREE ANNUAL REPORTS SERVICE

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT2486. Ring 0181 770 0770 (open 24 hours including weekends) or fax 0181 770 3822. If calling from outside UK, dial +44 181 770 0770 or fax +44 181 770 3822. Reports will be sent on the next working day, subject to availability.

INDICES

	Jun 28	Jun 27	Jun 26	1996 High		1996 Low	
Argentina							
General(29/12/77)	18440.08	18650.95	18689.98	18881.95	20/5	15828.61	19/3
Australia							
All Ordinaries(1/1/80)	2242.1	2241.8	2252.8	2328.80	26/4	2187.40	11/3
All Mining(1/1/80)	1026.3	1023.2	1028.3	1118.40	8/5	1004.70	18/1
Austria							
Credit Aktien(30/12/84)	374.44	374.56	377.54	384.99	31/5	352.78	2/1
Traded Index(2/1/91)	1090.61	1092.57	1098.43	1142.81	28/5	975.27	2/1
Belgium							
BEL20(1/1/91)	1742.94	1730.17	1736.98	1773.28	28/5	1574.80	2/1
Brazil							
Bovespa(29/12/83)	60439.0	61676.0	62272.0	62272.00	26/6	43801.00	2/1
Canada							
Metals Mnls♦(1975)	5116.05	5070.80	5091.49	5824.80	8/5	4807.47	16/1
Composite♦(1975)	5044.10	5011.60	5027.70	5246.40	31/5	4738.70	15/1
Portfolio§§(4/1/83)	2480.81	2484.19	2477.11	2565.55	27/5	2327.39	12/1
Chile							
IGPA Gen♥(31/12/80)	5586.64	5528.58	5496.08	5804.33	8/1	5218.28	8/4
Denmark							
CopenhagenSE(3/1/83)	408.29	407.69	407.26	408.29	28/6	368.40	2/1
Finland							
HEX General(28/12/90)	2009.75	1990.14	2006.70	2070.42	31/5	1881.57	10/1
France							
SBF 250(31/12/90)	1448.40	1441.20	1440.71	7457.58	6/5	1290.18	2/1
CAC 40(31/12/87)	2123.70	2112.85	2113.28	2146.79	30/4	1897.50	11/1
Germany							
FAZ Aktien(31/12/58)	907.04	908.77	911.59	911.88	26/6	818.56	2/1
Commerzbank(1/12/53)	2613.50	2617.80	2623.40	2623.40	26/6	2370.20	2/1
DAX‡(30/12/87)	2561.39	2551.83	2573.69	2573.69	26/6	2284.86	2/1
Greece							
Athens SE(31/12/80)	910.12	911.59	(c)	1017.98	4/3	881.83	24/6
Hong Kong							
Hang Seng(31/7/64)	11020.90	11002.45	11059.92	11594.99	16/2	10204.87	2/1
India							
BSE Sens.(1979)	3812.52	3849.11	3792.75	4069.28	18/6	2828.08	25/1
Indonesia							
Jakarta Comp.(10/8/82)	594.26	592.03	592.79	630.21	24/4	512.48	2/1
Ireland							
ISEQ Overall(4/1/88)	2548.43	2532.08	2544.30	2585.10	18/6	2234.81	2/1
Italy							
Banca Comm Ital(1972)	657.83	656.10	661.10	674.10	20/5	572.21	23/3
MIB General(2/1/95)	1115.0	1112.0	1121.0	1142.00	20/5	978.00	27/3
Japan							
Nikkei 225(16/5/49)	22530.75	22501.61	22666.80	22666.80	26/6	19734.70	13/3
Nikkei 300(1/10/82)	317.53	317.79	319.70	319.70	26/6	284.48	11/3
Topix(4/1/68)	1712.45	1712.21	1722.13	1722.13	26/6	1524.12	13/3
2nd Section(4/1/68)	2246.33	2232.11	2234.50	2246.33	28/6	1982.78	14/3
Malaysia							
KLSE Comp.(4/4/86)	1136.31	1135.62	1130.77	1138.54	30/4	993.16	2/1
Mexico							
IPC(Nov 1978)	(u)	3183.59	2177.91	3362.08	22/5	2736.36	8/3
Netherlands							
CBS TtlRtnGen(End 83)	644.0	639.9	642.3	652.80	12/6	538.50	2/1
CBS All Shr(End 83)	382.0	379.6	381.0	387.10	12/6	326.70	2/1
New Zealand							
Cap. 40(1/7/86)	2098.23	2095.43	2088.95	2203.06	4/1	2025.14	7/6
Norway							
Oslo SE(Ind)(2/1/83)	1419.43	1413.32	1425.22	1488.71	12/6	1259.08	30/1
Philippines							
Manila Comp(2/1/85)	3275.28	3256.53	3240.39	3286.79	10/6	2578.97	2/1
Portugal							
BVL 30(4/1/93)	1963.81	1962.51	1958.48	1963.81	28/6	1602.81	2/1
Singapore							
SES All-S'pore(2/4/75)	575.25	580.47	580.52	610.37	5/2	555.89	2/1
South Africa							
JSE Gold(28/9/78)	1721.7♥	1762.6	1791.1	2030.40	29/5	1346.40	2/1
JSE Indl.(28/9/78)	8190.8♥	8182.7	8172.8	8738.30	25/1	7723.20	20/5
South Korea							
KoreaCmpEx**(4/1/80)	823.45	820.05	833.63	986.84	7/5	820.05	27/6
Spain							
Madrid SE(30/12/85)	373.27	371.03	372.88	374.07	25/6	323.75	11/1
Sweden							
AffarsvarldsGen(1/2/37)	1961.0	1961.2	1975.2	2019.00	6/6	1786.80	22/1
Switzerland							
Swiss Bk Ind(31/12/58)	1787.42	1776.82	1782.04	1787.42	28/6	1516.19	17/1
SBC General(1/4/87)	1265.87	1257.74	1262.88	1285.87	28/6	1114.47	26/1
Taiwan							
WeightedPr.**(30/6/66)	6507.50	6537.20	6380.87	6537.20	27/6	4690.22	6/2
Thailand							
Bangkok SET(30/4/75)	1247.50	1237.10	1226.35	1415.04	6/2	1223.40	24/6
Turkey							
Istanbul Cmp.(Jan 1986)	70489.2	68219.8	68063.0	72066.80	8/4	38779.30	2/1
WORLD							
MS Capital Intl(1/1/70)	781.0*	776.1	777.2	781.00	28/6	725.80	15/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1698.43	1693.02	1699.10	1699.17	28/5	1604.48	11/1
Euro Top-100(26/6/90)	1438.83	1427.30	1437.84	1458.28	26/4	1333.01	11/1
HSBC JC Drgn(31/12/88)	(u)	378.12	377.97	393.19	18/4	344.19	2/1
ING Brngs Emrg(7/1/92)	164.53	164.45	162.97	164.83	28/6	147.35	2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x index)							
Jun	2116.0	2123.4	+14.8	2131.0	2115.0	• 17,995	11,999
Jul	2115.5	2117.0	+10.0	2126.0	2117.0	20,686	35,599
DAX							
Sep	2579.0	2589.0	+18.5	2595.0	2574.0	12,588	–
Dec	2598.5	2608.5	+20.0	2610.0	2596.5	5	–
OMX							
Jun	7530.00	1535.50	+14.50	1535.50	1529.50	1,404	4,424
Jul	1536.00	1547.00	+19.50	1549.00	1536.00	2,042	73,282
SOFFEX							
Jun	3719.0	3738.0	+31.0	3738.0	3719.0	3,111	30,380
Jul	3740.0	3740.0	+20.0	3740.0	3740.0	1	92

** Sat Jun 22: Taiwan Weighted Price 6401.35; Korea Comp Ex 856.38. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL 30, SBF250, CAC40, Euro Top-100, ISEQ Overall: Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jun 28 – 2570.44 +16.64.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	Jun 28	Jun 27	Jun 26	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5654.63	5677.53	5682.70	5778.00 (22/5)	5032.94 (10/1)	5778.00 (22/5/96)	41.22 (8/7/32)
Home Bonds	151.71	151.39	101.23	108.09 (14/2)	101.06 (24/6)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2181.76	2180.10	2168.36	2236.29 (22/5)	1832.71 (18/1)	2236.28 (22/5/96)	12.32 (8/7/32)
Utilities	220.30	215.90	213.04	234.90 (13/2)	205.42 (7/5)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's High 5724.44 (5716.21) Low 5625.81 (5618.21) (Theoretical♦)
Day's high 5704.49 (5683.07) Low 5632.04 (5646.50) (Actual♦)

Standard and Poors	Jun 28	Jun 27	Jun 26	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	670.63	668.54	664.39	678.51 (24/5)	598.48 (18/1)	678.51 (24/5/96)	4.40 (1/6/32)
Industrials♥	796.36	794.96	791.38	807.88 (5/6)	702.07 (15/1)	807.88 (5/6/96)	3.62 (21/6/82)
Financial	67.33	67.23	66.54	68.56 (5/3)	58.87 (18/1)	68.56 (5/3/96)	8.64 (1/10/74)
NYSE Comp.	359.20	357.50	355.87	363.74 (24/5)	321.41 (10/1)	363.74 (24/5/96)	4.40 (25/4/42)
Amex Mkt Val	576.79	570.13	575.63	614.99 (22/5)	529.05 (18/1)	614.99 (22/5/96)	29.31 (9/12/72)
NASDAQ Cmp	1185.02	1166.01	1153.28	1249.14 (5/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (31/10/72)

RATIOS

	Jun 21	Jun 14	Jun 7	Year ago
Dow Jones Ind. Div. Yield	2.17	2.19	2.16	2.42
	Jun 26	Jun 19	Jun 12	Year ago
S & P Ind. Div. yield	1.87	1.87	1.87	2.14
S & P Ind. P/E ratio	22.29	22.22	19.65	19.60

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Br Steel	9,000,500	25⅞	+⅛
Doona Karan	7,713,400	28	+4
Fed Nat Mtg	3,047,400	33⅛	–⅛
Micron	3,040,500	25¾	+⅝
Westinghse	2,905,200	18⅜	–⅛
Gen Elec	2,773,600	86½	–1
Philip Morris	2,654,400	104⅛	–⅛
PECO Engy	2,548,000	26	+1
IBM	2,333,600	99⅛	+½
Glimcher Real	2,268,000	16⅝	+½

TRADING ACTIVITY

● Volume (million)

	Jun 28	Jun 27	Jun 26
New York SE	409.852	406.204	386.477
Amex	29.540	30.982	37.682
NASDAQ	(u)	577.334	616.183
NYSE			
Issues Traded	3,168	3,141	3,151
Rises	1,785	1,313	931
Falls	742	1,028	1,480
Unchanged	641	800	760
New Highs	134	49	45
New Lows	32	76	91

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
S&P 500							
Sep	673.25	676.80	+3.75	678.40	674.00	60,070	171,217
Dec	682.30	683.00	+3.80	684.35	680.80	356	6,351
Nikkei 225							
Sep	22630.0	22530.0	–10.0	22680.0	22500.0	17,400	219,246
Dec.	22690.0	22620.0	–180.0	22700.0	22620.0	111	4,117

Open interest figures for previous day.

TOKYO – MOST ACTIVE STOCKS: Friday June 28, 1996

	Stocks Traded	Closing Prices	Change on day
Mitsubishi Hvy	7.2m	953	-4
Nippon Steel	6.6m	376	–
NKK Corp	5.7m	332	-1
Nippon Denko	5.2m	587	+37
Sharp Corp	4.9m	1920	+30
Minolta Co	4.3m	733	+21
Kaisei Ele	3.8m	1240	-10
Hitachi Zosen	3.5m	621	+3
Sanyo Electric	3.4m	689	–
NEC Corp	3.3m	1190	+20

تكحلة من الأصل

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
AG Hldgs 2.25p
APV 1.7p
Allied London Props 1.18p
Amco 3.5p
Amec 1.5p
Appleby Westward 5.8p
Asda Property 1.8p
Bank of Greece 9¾% Bd 2003 £97.50
Barbados (Govt of) 13⅛% Ln 2015 8.75p
Bardon Cv Pf 3.625p
BAT Inds 18.4375p
BICC 8.5p
Do Cm Pf 4.3p
BLP 2.2p
BSG Int 2.5p
Baxter $0.3025
Baynes (Charles) Cv Non-Cm Pf 2.9p
Beauford 0.4p
Bellway 2.55p
Birmingham 2½% 1926 £1.25
Do 3% 1947 £1.50
Do 3% 1932 £1.50
Do 3½% 1946 £1.75
Do Gas Anns 50p
Do Water Anns 50p
Blackburn 3½% Irrd £1.75
Do 4% Cons Db £2.0
Blockleys 0.01p
Do 6% Pf 1.05p
Blue Circle 8.5p
Do 7⅝% Cv Pf 3.8125p
Bodycote 4.1p
Booker 15.2p
Boosey & Hawkes 5½% Cm 1st Pf 2.45p
Do 7% Cm Pf 2.45p
Bownes Leisure 4.5p
Bowthorpe 8.5p
Brake Bros 6.8p
Brammer 8.5p
Bridon 8% Pf 1.05p
Bristol Water 10.4% Rd Db 2000/02 £5.20
British Aerospace Cv Pf 3.875p
Broadcastle Cm Rd Pf 4p
Brunel Cv Pf 2.3p
Bulmer (HP) 9½% Pf 4.75p
Do 8¾% 2nd Pf 4.375p
Bunzl 3.8p
Calor 6.5p
Camas 2.5p
Cambridge Water 4% Cons Perp Db £2.0
Do 13% Rd Db 2004 £6.50
Canadian Pacific 4% Perp Db £2.0
Canning (W) 4.8p
Capital Inds Cv Pf 2001/05 4p
Capital Radio 4p
Carlton Comms Cum Red Pref 3.25p
Caverdale 0.18p
Claremont Garments 5.25p
Coastal $0.10
Coats Viyella 5.1p
Cobham 4.2% 2nd Pf 2.1p
Concentric 2.05p
Cooper (F) 0.85p
Cordiant 8% Cv Ln 2015 £3.0
Country Casuals 4p
Country Gardens 10% Rd Pf 5p
Crane Europe 5½% Cm Pf 1.925p
Croda Int 6.1p
DCC IR4.19p
Daiwa Int Fin Fxd/FRN Jun 2002 $7500.0
De Beers Centenary Fin 9⅜% Gtd Bd 2020 4.875p
Dee Valley Water 7⅞% Rd Pf 1996/98 3.9375p
Delta 14.4p
Denora 4.1p
Development Sec (Invs) 11% 1st Mtg Db 2018 £5.50
Dewhirst 2.6p
Eadie 0.8p
Edinburgh Inv Tst 11½% Db 2014 £5.75
Elliott (B) 3.15% Cm Pf 1.575p
Era 0.1p
Export-Import Bank of Japan 9½% Gtd Bd 2000 $475.0
Felixstowe Dock & Rlwy Pf Units £6.905
Fleming High Inc Inv Tst 1.2p
Fleming O'seas Inv Tst 4½% Perp Db £2.25
Follies 1.82p
Do N/Vtg 1.82p
Folkestone & Dover Water 4% Perp Db £2.0
Do 5% Perp Db £2.50
Do 11½% Rd Db 2004 £5.75
Friendly Hotels 4¾% Cv Pf 2.375p
Do 7% Cv Pf 3.5p
Do 11¾% 1st Mtg Db 2015 £5.5625
Frost 3.8p
Fuller Smith & Turner 4.2% Pf 2.1p
Do 8% 2nd Cm Pf 4p
GBE Int 1p
GTE $0.47
Garton Eng 5.25p
Geest 4.4p
Gencor 8% Gross Cm Pf R0.08
General Accident 20.3p
Do 8⅞% Cm Irrd Pf 4.4375p
General Cons Inv Tst Stppd Pf 2.318p
Gieves 1.5p
Goldsmiths 3.3p
Govett Oriental Inv Tst 1.1p
Grand Metropolitan 5% Cm Pf 1.75p
Do 6¼% Cm Pf 2.1875p
Greycoat 0.8p
Guardian Royal Exchange 5.9p
Hanson 3p
Harrisons & Crosfield 5.4p
Hartlepool Water 4.5p
Headlam 3.5p
Hewetson 7% Cm Pf 3.5p
Highcroft Inv Tst 3.75p
Hillsdown 7.3p
Hitachi Credit 7⅛% Nts 1997 $71.25
House of Fraser 3.8p
How 0.75p
Hull 3½% (1st iss) £1.75
Huntleigh Technology 4.5p
ICI Fin (Netherlands) 8% Gtd Bd 1996 $400.0
Ibstock 1.25p
Iceland Cv Pf 2.75p
Inchcape 4p
Invesco 4p
Jackson 1.3p
Johnson Grp Cleaners 9% Cm Pf 3.15p
Kenning Motor 5½% Cm Pf 1.925p
Do 7% Cm Pf 2.45p
Kensington & Chelsea 11.15% Rd 2006 £5.575
Kwik Save 5.95p
Lamont 8.15p
Leeds 2½% Rd 1927 £1.25
Do 3% Db £1.50
Do 5% Irrd £2.50
Leeds Grp 2.3p
Leo 1 Class A1 Mtg Bckd FRN 2035 £1452.05
Leo 2 Class A1 Mtg Bckd FRN 2032 £85.18
Do Class A2 £158.50
Lilleshall 5% Cm Pf 1.75p
Do 8% Cm pf 4.5p
Lincoln 3% Rd £1.50
Liverpool 2½% Rd £1.25
Do 2¾% Rd £1.375
Do 3½% £0.875
Lowland Inv 11¼% Db 2010 £5.625
Lucas 2.1p
MEPC 10¾% 1st Mtg Db £5.375
Do 12% Bd 2006 £600.0
Do 8⅛% Cap Ints Ser A $0.570313
Machester Ship Canal 3½% Perp 1st Mtg Db £1.75
Do 3½% Perp Db £1.75
Do 4% Perp 1st Mtg Db £2.0
Do 4% Perp 2nd Mtg Db £2.0
Do 4% Perp Db £2.0
Marshalls Universal 7½% Cm Pf 3.75p
Martin Int 0.65p
McCarthy & Stone 0.55p
Do 8¾% Cm Pf 2003 4.375p
McKechnie 6p
Merchant Retail 5% Cm Pf 2.5p
Do 8¾% Un Ln 1999/2004 £4.375
Mersey Docks & Harbour 3⅝% Irrd Db £1.8125
Do 6⅝% Rd Db 1994/97 £3.3125
Metropolitan Water East London Water 3% Db £1.50
Microvitec 0.45p
Mid Kent Water 9⅞% Rd Db 1997/99 £4.9375
Do 12¼% Rd Db 2005 £6.125
Mid-Sussex Water 4% Perp Db £2.0
Do 5% Perp Db £2.50
Do 11% Rd Db 2012/18 £5.50
Mowlem (John) 2p
Mucklow (A & J) 3.2374p
Do 11½% 1st Mtg Db 2014 £5.75
Murray Enterprise 0.825p
Murray Inc Tst 4¼% Cm Pf 2.125p
Newey 5% Cm Pf 1.75p
New South Wales Treasury 11½% Gtd Exch Bd 1999 A$575.0
Next 8p
Nordic Inv Bank 5⅝% Nts 1998 $562.50
North East Water 10.3% Rd Db 1996 £5.15
North Surrey Water 5% Db £2.50
Norway (Kingdom of) 9% Nts 1998 Ecu450.0
Oldham 4% Db £2.0
PCT 5p
P & O 6¾% Cv Pf 3.375p
Do 5½% Rd Non-Cm Pf 5.5p
PSIT 8% Cm Pf 4p
Pacific Dunlop A$0.11
Park Estates 5p
Pentland 1.95p
Perpetual 18p
Perry 5.1p
Port of London Authty 3% A 1929/99 £1.50
Powell Duffryn 4¾% Cm Pf 0.83125p
Premier Health 6% Cv Ln Nts 2000 3p
RTZ 3.325% A Pf 1.6625p
Do 3½% B Pf 1.75p
Reading 3% 1962 £1.50
Reckitt & Colman 5% Cm Pf 1.75p
Record 2.45p
Redland 11.17p
Reed (Austin) 4p
Renold 8% Pf 2.1p
Republic New York $0.38
Richards 1.07p
Rolls-Royce 3p
Ronson 1.25p
Roskel 3.3p
Rubicon 6% Pf 1.05p
Russell (A) 5¾% Cv Pf 2.875p
SEC 2p
SR Fin Rd Pf 2009 3.9375p
S & U 12.5p
Sabre Lease 7¼% Mezz Sec Nts 2001 £181.25
Do 5.8% Snr Sec Nts 2001 £1450.0
St Davids Inv Tst 3p
Samancor O'seas Fin 7% Gtd Bd 2004 $350.0
Sara Lee $0.18
Savoy Hotel 4% Ist Mtg Db £2.0
Savoy Theatre 4% ist Mtg Db £2.0
Scottish Amicable Fin 8½% Sb Gtd Bd £85.0
Scottish Mortgage & Tst 3.5p
Sears 2.8p
Do 7% A Cm Pf 2.45p
Do 7½% Cm Pf 2.625p
Do 12½% Cm Pf 4.375p
Silentnight 5.25p
Simon Eng 5.4% Cm Pf 2.7p
Do 6% Cm Pf 2.1p
Do 7¾% Rd Pf 1992/97 3.875p
Simons 7½% Cm Pf 2.625p
Smith (J) (Field Head) 5½% Cm Pf 1.925p
South Australian 3% Cons £1.50
Southend Property 5½% Cm Pf 2.75p
Do 8% Un Ln 2020 £4.0
South Staffs Wster Hldgs 54p
Do 9% Rd Pf 1998/2000 4.5p
South Staffs Water 3½% Perm Db £1.75
Do 4% Perm Db £2.0
Do 5% Perm Db £2.50
Do 9¼% Rd Db 1998/2000 £4.625
State Bank of New South Wales 7% Bd 1999 A$70.0
Do 8½% Nts 1996 $85.0
Stratagem 2p
Sun Alliance 11.35p
Sunderland 4½% Fd Debt Anns £2.25
Swansea 3½% £1.75
TR Far East Inc Tst 1.6p
Tarmac 2.5p
Taylor Woodrow 2p
Telemetrix 1.45p
Tesco 8.55p
Three Valleys Water 4% Irrd Conv Bd £2.0
Do 3½% Irrd Db £1.75
Do 4% Irrd Db £2.0
Do 4% Irrd Db (1994) £2.0
Do 5% Irrd Db £2.50
Do 5% Irrd Db (1994) £2.50
Do 10% Rd Db 1996/98 £5.0
Tilbury Douglas 15p
Titon 1.6p
Tomkinsons 3.5p
UK Estates 8% Cv Pf 3p
Ulster TV 112.5p
UniChem 5.3p
United Biscuits 6.3p
Vitec 7.7p
Wardle Storeys 6p
Warner Howard 5.85p
Watts Blake Bearne 10.6p
Wensum 3.425p
Willis Corroon 1.65p
Wrexham Water 3½% Cons Db £1.75
Xerox $0.29
Yates (WE) 7½% Pf 2.625p
Yorklyde 5.35p
York Waterworks 9% Rd Pf 1997 4.5p
Young & Co's Brewery 3½% Irrd Mtg Db £1.75

■ **TOMORROW**
Abbot 1.12p
Do 7¼% Cm Pf 3.625p
Anglian Water 5⅛% IL Ln 2008 £3.239
Black (A & C) 8.75p
Bruntcliffe Aggregates 0.85p
Dean Corp 0.2p
First Deb Fin 11⅛% Sev Gtd Db 2018 £5.5625
Get 0.5p
Hunting 6p
Kansai Int Airport 8% Gtd Bd 2003 C$80.0
Kokusai Denshin Denwa 6.1% Bd 1999 Y610000.0
Kingfisher 11.7p
Marks & Spencer Fin 8¼% Gtd Bd 1996 $412.50
Mitsubishi Warehouse 4½% Bd 1998 Y450000.0
Pacific Dunlop 6¾% Sb Cv Bd 1997 $67.50
Parity 1.5p
Plantation & General Invs 8½% Cm Pf 4.75p
Premier Farnell 6.2p
TMC PIMBS 2nd Fin Ord Class Nts Iss No 3 Jul 2030 £8214.24
Tops Estates 10¼% 1st Mtg Db 2011/18 £5.125
Tudor 0.76p
Walker Greenbank 2.4p

■ **WEDNESDAY JULY 3**
Albany Inv Tst 3.35p
Alida 9¼% Cm Pf 2008/13 4.625p
British Empire Sec & Gen Tst 8⅛% Db 2023 £4.0625
Do 10⅜% Db 2011 £5.1875
British Gas 8.1p
British Polythene 9¼% Cm Pf 4.625p
Clarkson (Horace) 1.75p
Development Sec 1.6p
Enterprise Inns 2.25p
F & C PEP Inv Tst 1.65p
Forward 4.8p
Haden MacLellan 1.3p
Innovations 2.5p
I & S UK Smaller Co's Tst 1.9p
JJB Sports 8p
Johnston 7p
Metsec 2.2p
Murray Split Cap Tst 2.75p
Nihon Doro Kodan 9⅛% Gtd Bd 1996 Ecu91.25
Nurdin & Peacock 4.98p
P & O 11½% Bd 2014 £1150.0
Slingsby (HC) 12p
Smith & Nephew 3.49p
South African Breweries R1.93
Temple Bar Inv Tst 4.21% Cm Pf 2.1p
Tokyu Land 6.1% Bd 1996 Y810000.0

■ **THURSDAY JULY 4**
African Dev Bank 11⅛% Ln 2010 £5.5625
Arcadian Int 0.9p
Ashley (Laura) 0.5p
Baird (Wm) 5.8p
Bourne End Properties 0.65p
Fine Art Devs 12.8p
French Connection 2p
Housing Fin 9⅝% Db 2025 £4.8125
Quadramatic 3.6p
Radamec 1.6p
United Inds 0.3p
Vaux 3.56p
Wickes 1.5p

■ **FRIDAY JULY 5**
ABI Leisure 1.42p
API 4.48p
Abbey National Treasury 11.8% Gtd Nts 1996 L590000.0
Anglo Am Gold Inv R4.5
Annuities 2¾% £0.6875
Arcolectric 0.802p
Do A N/Vtg 0.802p
Bank of China FRN 1998 $30.65
Bankers Inv Tst 4% Perp Db £2.0
Barlows 1.5p
Barr & Wallace Arnold Tst 8p
Beattie (J) 5.05p
Blenheim 7p
Bridon 3.025p
Brooke Tool Eng 0.1p
Centex $0.05
Cobham 6.6p
Consolidated 2½% £0.625
Coventry 8¼% Ln 2026 £4.125
Courtaulds 5% Cm 1sy Pf 1.75p
Croydon 3½% £1.75
David Brown 5.2p
Dunedin Worldwide Inv Tst 2.4p
Edinburgh Inv tst 8.75p
Etam 0.75p
Finsbury Tst 2.2p
Do A N/Vtg 2.2p
Fishers Int 0.2p
Gaskell 3p
Hoare Govett 1000 Index Inv Tst 0.75p
Hoare Govett Smaller Co's Index Inv Tst 1.25p
Laing (J) 8p
Do A N/Vtg 6p
Majedie Invs 2.5p
Meggitt 2.63p
Metrolpolitan Water Staines Res 3% Gtd Db £1.50
M & G Recovery Inv Tst 2.45p
Do Geared Units 2.45p
Do Package Units 2.45p
Nst West Bank 12½% Sb Un Ln 2004 £6.25
Parambe 0.6p
Peek 2.35p
RM 1.8p
Reckitt & Colman 12.8p
Salford 8¼% Ln 2027/31 £4.125
Schlumberger $0.375
Scottish American Inv 1.28p
Shaftesbury 0.75p
Simon Eng 0.64p
Value & Inc Tst 2.2p
WMX $0.16
Wankie Colliery Z$0.15
Yule Catto 4.8p
Do 11½% Pf 1998/2003 5.75p

■ **SATURDAY JULY 6**
Blue Circle 6¼% Un Ln £3.125
Morgan Crucible Cv Pf 3.75p
Smith (WH) 5⅛% Rd Ln £2.5625
Whitbread 7¾% Un IN 1996/2000 £3.875
Do 10½% Un LN 2000/05 £5.25

■ **SUNDAY JULY 7**
Allied Domecq Fin 6¾% Gtd Bd 2008 £33.75
Sanderson Elec 2.1p

UK COMPANIES

■ **TODAY**
COMPANY MEETINGS:
Securities Trust of Scotland, Saltire Court, 20, Castle Terrace, Edinburgh, 2.00
Value & Income Trust, Stuart Ivory, 45, Charlotte Square, Edinburgh, 12.30

BOARD MEETINGS:
Finals:
Associated Nursing Services
Carclo Engineering
Hadleigh
Jasmin
MFI Furniture
Phoenix Timber
Scottish & Newcastle
Westminster Scaffolding
Interims:
Beale
Coda Group
Microgen Holdings
Premier Land

■ **TOMORROW**
COMPANY MEETINGS:
Argyll Group, Savoy Hotel, Strand, W.C., 11.00
Owen & Robinson, College Hill Associates, 29 Gresham Street, E.C., 10.00

BOARD MEETINGS:
Finals:
Berkeley Group
Braeway
Cassidy Brothers
Hartstone Group
Marston Thompson & Evershed
Meconic
Total Systems

■ **WEDNESDAY July 3**
COMPANY MEETINGS:
Albany Inv Tst, Port of Liverpool Building, Pier Head, Liverpool, 2.30
Borthwicks, Cromwell Hotel, 25-27 High Street, Old Town, Stevenage, Herts, 11.30
Edinburgh Inv Tst, Caledonian Hotel, Princess Street, Edinburgh, 12.00
Ferguson International, Waterman's Hall, 18 St Mary at Hill, 11.30
Fleming Far Eastern Inv Tst, Insurance Hall, 20 Aldermanbury, E.C., 12.00
Land Securities, Claridges Hotel, Brook Street, W., 12.00
M&G Recovery Investment, M&G Group, 7th Floor, 3 Minster Court, Great Tower Street, E.C., 10.00
J Sainsbury, Q.E.2 Conference Centre, Westminster, S.W., 12.00
Ugland International Holdings, Baltic Exchange, Lower Ground Floor, 38 St Mary Axe, E.C., 12.00

BOARD MEETINGS:
Finals:
Court Cavendish
Cray Electronics
General Electric
Interim:
Gardiner Group

■ **THURSDAY July 4**
COMPANY MEETINGS:
Arcolectic Holdings, Head Office, Factory 1, 61 Central Avenue, West Molesey, Surrey, 11.00
Fine Art Developments, Devonshire Arms, Bolton Abbey, Skipton, North Yorkshire, 4.00
First Ireland Inv, AIB Bank, 12 Old Drury, E.C., 12.00
Hoare Govett 1000 Index Inv Tst, 4 Broadgate, E.C., 10.30
Hoare Govett Smaller Companies Index Inv Tst, 4 Broadgate, E.C., 10.00
Time Products, Claridges Hotel, Brook Street, W., 3.00
UMECO, Bear Hotel, Charnham Street, Hungerford, Berkshire, 12.00

BOARD MEETINGS:
Finals:
Abtrust New Dawn IT
Burtonwood Brewery
Gibbon Group
Jury Hotel
Interim:
Inveresk

■ **FRIDAY July 5**
COMPANY MEETINGS:
Finsbury Tst, Worshipful Company of Coopers, Coopers Hall, 13 Devonshire Square, E.C., 12.00
Tie Rack, RSA, Tavern Room, 8 John Adam Street, W.C., 10.30,
Vosper Thornycroft Holdings, Vosper Thornycroft, Victoria Road, Woolston, Southampton, 2.30
Voyager European Smaller Companies Inv Tst, Chiene & Tait CA, 3 Albyn Place, Edinburgh, 12.00

BOARD MEETINGS:
Finals:
Merrydown
TR Technology
Interim:
Albion

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Pembroke Hall, Pembroke, Bermuda

Jupiter Tyndall (Bermuda) Ltd

PO Box HM1258, Hamilton, Bermuda

Jupiter Tyndall World Umbrella Fund Ltd

Newport Investment Management

Orion Fund Limited

8 Front St., Hamilton, HM11, Bermuda

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

Sarasin Funds Mngmt (Guernsey) Ltd

PO Box 248, St Peter Port, Guernsey 01481 723021

Schroder Investment Mngmt (Guernsey) Ltd

PO Box 256, St Peter Port, Guernsey 01481 710651

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Emerging Mkts Liquidity Plds. | $17.87 | 17.96 | - | 49063

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Atlantis Fund Management (Guernsey) Ltd

BZW Asset Management Guernsey Ltd

Bachmann Global Investment Fund Ltd

CIBC Fund Managers (Guernsey) Ltd

Castle Management (Guernsey) Ltd

The Castle Fund (Guernsey) Ltd | £30.66 | - | -

Commercial Union Capfree Inv Mngt

CUCIM Trust | £1.0713 | 6.11 | 58543

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

هكذا من الأصل

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

Wells Fargo U.S. IT Fund

Worldwide Limited

	Selling Price	Buying Price	Yield Gross	City-Line
NAV May 31	$90.38		-	40563

Xiphias International Investment Fd Ltd

Zanett Lombardier Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
NAV Jun 1	$185.07		-	56388

Zuloff Investment Management AG

	Selling Price	Buying Price	Yield Gross	City-Line
Zuloff Europe Ltd NAV Jun 21	DM108.75		-	-

Zweig-DiMenna International Limited

	Selling Price	Buying Price	Yield Gross	City-Line
NAV May 31	$1520C		-	-

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars.
Yields % allow for all buying expenses.
Prices of certain older insurance linked plans subject to capital gains tax on sales.
(**) Funds not SIB recognised. The regulatory authorities for these funds are
Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monétaire Luxembourgeois.
Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols.
(♦) - 0001 to 1100 hours
(♦) - 1101 to 1400 hours
(▲) - 1401 to 1700 hours
(♦) - 1701 to midnight
E - Exit charge on sale of units.
C - Manager's periodic charge deducted from capital
H - Historic pricing F - Forward pricing
k - Distribution free of UK taxes.
p - Periodic premium insurance plans
s - Single premium insurance
e - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities)
x - Offered price includes all expenses except agent's commission.
z - Previous day's price.
SB - Guernsey gross.
♦ - Yield before Jersey tax.
† - Ex-subdivision. xd - Ex-dividend
‡ - Only available to charitable bodies
Φ - Yield column shows annualised rates of NAV increase

The fund prices on these pages are also available on the Internet at www.FT.com

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER FINANCIAL - Cont.

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PHARMACEUTICALS - Cont.

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

Royal Bk Canada	1513	8.2	$1.36	FeMyAuDe	23.4	1160
Toronto-Dom	1115	-1.4	1o	JaApJyOc	13.3	1207
Trans Can Pipe ♥	915	-1.8	84o	JaApJyOc	12.93	-

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£28½		0545c	ɸ	May Oct	3.93	-
Barlow	♣†	884xd	-25.0	091c	-	Jan Jul	17.6	-
Gold Fas Prop R		125xd	-6.0	060c	1.5	Mar Sep	25.2	-
Mk Props		78	....	058c	-	Mar Sep	1.9	-
SASOL	♥	689	-.6	078c	-	Oct	0.93	-
SA Brews		£18⅞xd	-3	0200c	ɸ	Jul Dec	3.6	-
Standard Bank	□	£25¼	-3.3	0284c	3.1	Sep May	-	-
Tiger Oats	†	900xd	....	0114c	3.0	Jan Jul	10.6	-
Tongaat-Hulett		842xd	4.1	0130c	♦	Jan Jun	20.5	-

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are calculated on a "net" basis.

Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ɸ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available, see details below
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue, cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. e Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. o Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. z Dividend includes a special payment. Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1996-97. & Assumed dividend after pending scrip and/ or rights issue. H Dividend based on prospectus or other official estimates for 1995. K Dividend based on prospectus or other official estimates for 1996. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). Q Gross. Φ Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: **Additions: Fidelity Asian Values & Warrants, Renaissance US Growth, Schroder Venture Intl, Templeton Emerging Mkts C** (Inv Trusts), **Pictet British Inv C** (Inv Co's), **PPL Therapeutics, Ritcher (Gedeon)** (Pharms) **European Telecom** (Telecomms). **Carisbrooke, Hydro Dynamic** (AIM). **Deletions: Scottish Asian Inv C** (Inv Trusts), **Gen Electric** (Americans)

♣ FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT5215. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.

FT Company Focus

Comprehensive 10-14 page report available on this company, containing key FT stories from the last year, latest survey of City profit forecasts and investment recommendations. 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements for £6.45.

To order, call 0121 200 4678.

Reports published by ShareFinder Ltd.

FT Cityline

For up-to-the-second share prices call FT Cityline on 0336 43 or 0891 43 followed by the four-digit code listed after the share price. Calls charged at 39p per minute cheap rate and 49p per minute at all other times.

An international service is available for callers outside the UK, annual subscription £250 stg

Call 0171 873 4378 for more information on FT Cityline.

For readers phoning from outside UK, please dial +44 in place of the first 0.

The share prices printed on these pages are also available on the internet at www.FT.com.

4 pm close June 28

NEW YORK STOCK EXCHANGE PRICES

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

هكذا من الأصل

هكذا من الأصل

4 pm close June 28

NYSE PRICES

Continued from previous page

High	Low	Stock	Div.	Yld %	P/E	Sls 100s	High	Low	Close	Chng
54¾	39¾	Xerox	1.16	2.2	41	6643	54	51¼	53½	+2
47⅞	39¾	Xtra Corp	0.72	1.6	15	617	45⅝	44¼	44¼	-1¼
25¾	20⅝	Yankee Egy	1.30	6.0	12	285	22	20⅞	21¾	+1⅛
53¾	49⅞	York Int x	0.36	0.7	22	987	51¾	50⅞	51¾	+1
3⅞	3	Zapata	0.14	3.8	8	1026	3¾	3⅝	3⅝	
25¾	5⅞	ZenithEl			3	2703	12⅞	11¾	12⅞	+⅛
26⅞	21½	Zenith Nat	1.00	3.7	63	348	28½	27⅜	27⅜	-1⅛
7⅛	6½	Zenix Inc x	0.72	10.7		19	6⅞	6¾	6¾	
22⅞	15¼	Zero	0.12	0.3	19	863	22	21⅜	21⅜	-⅝
23¼	19⅜	Zurn Ind x	0.40	1.9	15	552	21	20⅝	20¾	-⅛
11⅜	10¾	Zweig Fund	1.08	8.7		70	11⅜	11	11⅛	+⅛
9	8¾	Zweig Totl	0.84	8.9		122	8½	8⅜	8½	+⅛

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

‖ Dealings suspended.

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT3186. Ring 0181 770 0770 (open 24 hours including weekends) or fax 0181 770 3822. If calling from outside the UK, dial +44 181 770 0770 or fax +44 181 770 3822. Reports will be sent on the next working day, subject to availability.

AMEX PRICES

4 pm close June 28

NASDAQ NATIONAL MARKET

4 pm close June 28

FT GUIDE TO THE WEEK

MONDAY 1

China starts HK countdown

Alongside the 75th anniversary of the founding of the Chinese Communist Party in Shanghai, China is celebrating the beginning of the 12-month countdown to its resumption of sovereignty over Hong Kong on June 30 1997. Although the party's first meeting, attended by Mao Zedong, actually took place on July 23, for convenience July 1 is officially recognised as the anniversary. China plans to step up its publicity campaign to highlight preparations for Hong Kong's return to the "embrace of the motherland".

Yuan move for convertibility

China begins to phase in arrangements to make its currency, the yuan, convertible on the current account. Foreign funded enterprises will be able to "buy and sell" foreign exchange at banks. Previously these enterprises were obliged to use government-supervised "swap centres". China plans to achieve current account convertibility by the end of this year to bring itself into line with the requirements of the International Monetary Fund.

Mrs Clinton tours Europe

Hillary Clinton, the wife of the US president, visits Romania at the start of a trip to central and eastern Europe that will also take her to Poland, the Czech Republic, Slovakia, Hungary, Estonia and Finland (to July 11). The White House says the trip is to highlight the region's "significant political, economic and social progress" and is being made at the request of President Bill Clinton.

Euthanasia to be legalised

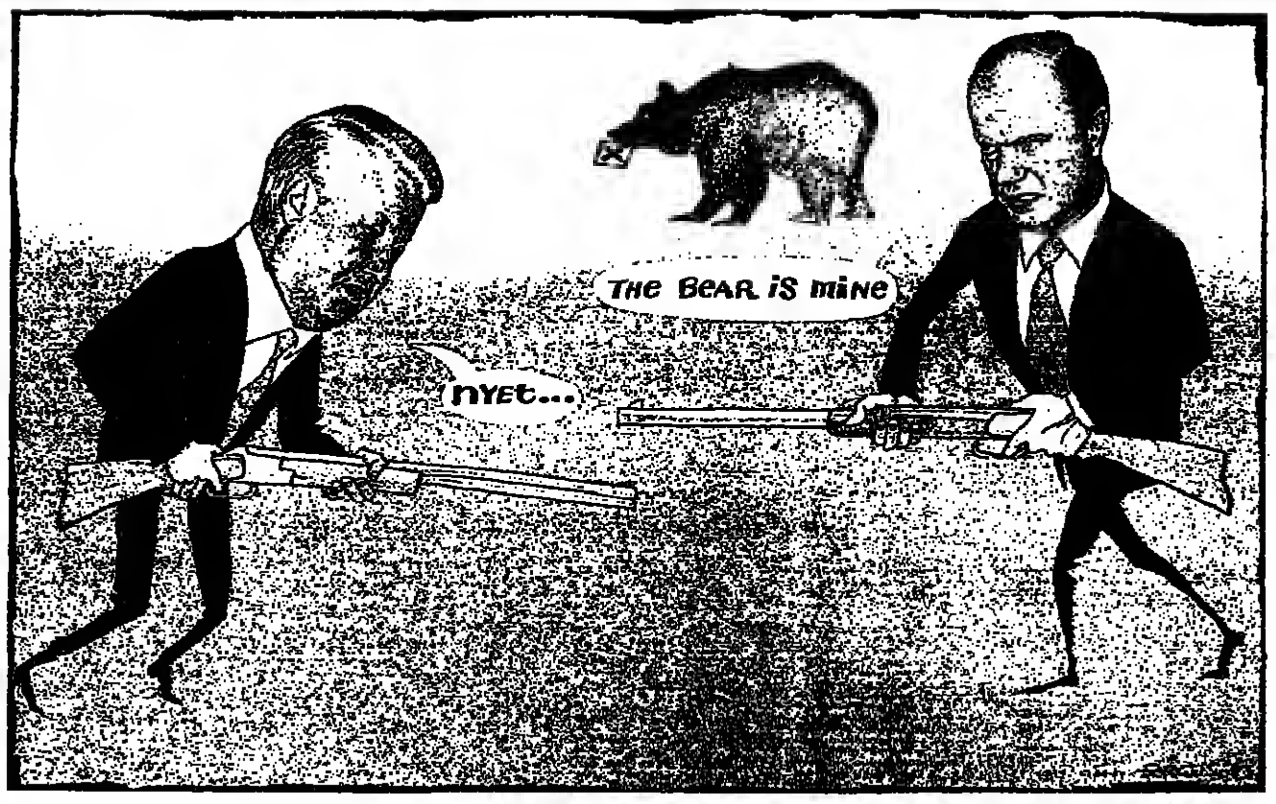
Legislation to make euthanasia legal in Australia's Northern Territory is due to come into force. The Rights of the Terminally Ill Act allows anyone diagnosed with a terminal illness to request a painless death by drugs. However, the legislation has been controversial and a court challenge by the Australian Medical Association could delay implementation. Meanwhile, a private member's bill to allow the federal government to override the legislation is set to be debated in parliament.

Albanian parliament meets

Albania's new parliament holds its opening session after a general election in May marred by vote-rigging and violence. President Sali Berisha, whose Democratic Party won 122 out of 140 seats, has rejected proposals by the US and the Organisation for Security and Co-operation in Europe for a fresh election. The main opposition Socialist Party, with 10 seats, says it will boycott parliament, but three smaller parties are expected to take their seats.

Ireland takes EU presidency

Ireland, an enthusiastic member of the European Union, takes over the six-month EU presidency. It will attempt to steer the 15 members through the negotiations on the inter-governmental conference to review the Maastricht Treaty. Dublin is keen to give special attention to employment issues, drug trafficking, the institutional reform of the Commission, tax fraud and defence and security.



Red in tooth and claw: Russian Communist leader Zyuganov does battle with President Yeltsin in the country's leadership contest; a tight race is expected

Farmers encounter Fischler

Farmers at leading UK agricultural showcase the Royal Show may have something to say to Franz Fischler, the European Commissioner responsible for agriculture, when he opens the event today. Mr Fischler had the job of imposing the EU's export ban on British beef, but was invited to open the show last November before the "mad cow disease" crisis erupted. Sir David Naish, president of the National Farmers' Union, and Don Curry, chairman of the Meat and Livestock Commission, now diplomatically say: "Mr Fischler does seem to be trying to work towards a resolution".

Bowls

British Isles outdoor championships and international series, Ireland (to July 5).

Public holidays

Bangladesh, Botswana, British Virgin Islands, Canada, Cayman Islands, Colombia, Ghana, Lesotho, Pakistan, Surinam, Taiwan, Thailand, Zambia.

TUESDAY 2

Strike over SA privatisation

The battle over South Africa's privatisation plans takes a new turn when Transport Workers' Union members strike over the government's refusal to negotiate over its green paper on transport. Mac Maharaj, the transport minister, plans to increase private-sector involvement in public transport by outsourcing existing services and granting new contracts to private companies.

Cricket

Oxford University v Cambridge University, Lord's, UK (to July 4).

Public holiday

Zambia.

WEDNESDAY 3

Caricom in US banana tussle

The US decision to take a complaint about the EU's banana preferences to the World Trade Organisation will occupy the Caribbean Community (Caricom) heads of government meeting in Barbados (to July 7). Members fear the collapse of several island economies that are dependent on the EU preferences.

Russian election run-off

Boris Yeltsin, the Russian president, and Gennady Zyuganov, his Communist rival, compete in a run-off for the Russian presidency. Although Mr Yeltsin, who says his opponent wants to bring back the prison camps and food shortages of the Soviet era, narrowly won the first round, it is likely to be a tight race. Last-minute health concerns about Mr Yeltsin and infighting within his entourage may have taken the lustre off his promises to bring stability to Russia. However Mr Zyuganov appears to have failed to extend his constituency beyond the pensioners, peasants and blue collar workers.

Saleroom

Traditional works of art come into their own in London with the start of a series of sales from the collection of the Bute family at Christie's and important auctions of Old Masters at Sotheby's and Christie's. On Friday Christie's holds its major summer Old Master sale. The executors of the 6th Marquess of Bute expect to raise at least £6m. A Madonna and Child by Annibale Carracci should make £300,000, and a set of four silver George II candlesticks by Paul de Lamerie is estimated to make a similar sum. The highlight at Sotheby's is a courtyard scene by Pieter de Hooch, estimated at £3m.

WTO tackles US tariffs

The World Trade Organisation's dispute settlement body meets in Geneva to consider a European Union request for a panel to rule on punitive tariffs imposed by the US in retaliation for the EU's 1988 ban on hormone-treated beef. The EU says the US duties – on $100m (£65m) of EU pasta, tinned tomatoes and citrus fruits – break WTO rules outlawing unilateral trade action ahead of a WTO ruling.

Rowing

Henley Royal Regatta, UK (to July 7).

Athletics

Athletissima 96, Lausanne, Switzerland.

FT Surveys

FT Review of Information Technology; Foreign Exchange.

Public holiday

Virgin Islands.

THURSDAY 4

Blair presents pre-manifesto

Tony Blair, leader of the UK Labour party, will present its pre-election policy document, Road to the Manifesto. This will set out the pledges of a Labour government in what is one of Mr Blair's biggest steps to transform his party's image and to lead it out of opposition after 17 years. A general election must be called by John Major, the prime minister, before next May. Mr Blair will tour the country to explain the document and all Labour members will vote on it in the autumn. Leftwingers see the package as aiming to sidestep the trade unions and party conference and to shed what remains of Labour's socialist creed.

Cricket

Third Test, Trent Bridge: England v India (to July 8).

FT Surveys

Italy; Business Arts Sponsorship.

Public holidays

Bosnia & Herzegovina, Guam, Israel, Puerto Rico, Rwanda, Tonga, United States, Virgin Islands, Yugoslavia.

FRIDAY 5

Germans pass telecoms law

A new law regulating Europe's biggest telecoms market after it is fully liberalised in 1998 is to be passed by the Bundesrat, the second chamber of the German parliament. After months of wrangling, a compromise appears to create the basis for what analysts suggest will be a liberal telecoms regime where licences will be handed out to any operator who applies.

OSCE gathers in Stockholm

More than 500 parliamentarians from the 55 member states of the Organisation for Security and Co-operation in Europe gather in Sweden's Riksdag (parliament) in Stockholm to discuss subjects ranging from the peace process in Bosnia to economic development in eastern Europe (to July 9).

Haute couture in Paris

It's *haute couture* time again in Paris and all eyes are focused – once more – on Briton John Galliano, who took over in January at Hubert Givenchy. He must combine charm and wearability with his trademark of spiky, edgy excitement. Those simply interested in beautiful, wearable, flattering clothes, should watch Balmain, where the immaculately smooth and charming Oscar de la Renta is producing his second collection.

FT Surveys

Ghana; Romania.

Public holidays

Algeria, Armenia, Czech Republic, Slovakia, Venezuela.

SATURDAY 6

Taken for a ride

Sonkajarvi, a remote town in Finland, holds its fifth annual woman-carrying championship. The contestants have to convey a woman older than 17 over a 253-yard obstacle course which includes a waist-high pool and two fences. The dropping of a woman incurs a 15-second penalty, and the winner is awarded his partner's weight in lemonade. The contest is inspired by 19th-century bandit initiation rites.

Tennis

Wimbledon championship finals, London.

Public holidays

Czech Republic, Lithuania.

SUNDAY 7

Optimism at Aids conference

Spirits should be unusually high in Vancouver, Canada, as 15,000 Aids and HIV researchers, activists and sufferers, as well as biotechnology and drugs company executives, arrive for the 11th biennial International Conference on Aids. New drug launches have proved surprisingly effective at slowing or stopping the progress of the disease, although the story is not yet over. The treatments are not cures and their long-term safety and efficacy are unknown. And governments have yet to work out how to pay for their use.

El Loco leads in Ecuador

Abdala Bucaram, who calls himself *El Loco*, meaning madman, leads in the opinion polls for the run-off in Ecuador's presidential election. Mr Bucaram, a populist who lost by a small margin to Jaime Nebot in the first round, vows to fight gross income inequalities, introduce subsidies and renegotiate Ecuador's foreign debt. Mr Nebot espouses market-oriented reforms and modernisation.

Tennis

Wimbledon championship finals, London.

Public holiday

Yemen.

Compiled by Simon Strong. Fax: (+44) (0)171 873 3194.

ECONOMIC DIARY

Other economic news

Monday: In the aftermath of the meeting of G7 leaders last weekend, the markets will have some interesting data to watch this week from two of the world's largest economies – the US and Germany.

The US survey of purchasing managers may provide signs of strengthening demand in June: most economists expect it to paint a slightly better picture than in May.

US personal consumption is also likely to show a steady, upwards trend.

Wednesday: German industrial production data could indicate a long awaited rebound. Most economists expect manufacturing to recover slightly in May.

In the UK the governor of the Bank of England and the Chancellor meet for their regular monetary meeting. Few economists expect a rate cut, following last month's surprise reduction.

Friday: June non-farm payrolls in the US will be watched very closely, after unexpectedly strong job growth in May's data fuelled fears that the US economy might be growing too fast again. Most economists expect the increase in jobs to be considerably more modest this time.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	US	May personal income	0.5%	0.5%
July 1	US	May personal consumption expend	0.6%	0.1%
	US	June Ntnl Ass Purchasing Managers	51.0%	49.3%
	US	May construction spending	unch	1.4%
	US	June domestic auto sales	7.5m	7.8m
	US	June domestic light truck sales	6.2m	6.1m
	Japan	June auto sales**	-	5.2%
	Japan	June forex reserves†	-	1.3%
	UK	June M0*	0.5%	0.2%
	UK	June M0**	6.8%	6.2%
	UK	June Chart'd Inst Purchasing Mngrs	-	47.1%
	UK	May consumer credit	£0.8bn	£1.0bn
Tues	US	May leading indicators	0.2%	0.3%
July 2	US	Mitsubishi indx	-	0.3%
	US	May new home sales	740,000	776,000
	Japan	May Bank Jpn corp services prices*	-	0.0%
	Japan	May Bank Jpn corp services prices**	-	-0.8%
	UK	June offical reserves	-	-$93m
	Italy	May hourly wages	2.1%	3.8%
	Aus'lia	May current a/c	-A$1.8bn	-A$2.0bn
Wed	US	May factory orders	1.7%	-0.1%
July 3	US	May factory inventories	-	unch
	US	May home completions	-	1.33m
	US	Initial claims w/e June 29	355,000	-
	Aus'lia	May building approvals	0.5%	0.1%

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Thur	Canada	June foreign reserves – change	C$0.5bn	C$1.0bn
July 4	Canada	June help wanted indx†	89	88
	Finland	May current a/c	-	FM0.9bn	-FM1.1bn
Fri	US	June non-farm payrolls	150,000	348,000
July 5	US	June manufacturing payrolls	5,000	6,000
	US	June hourly earnings	0.3%	0.3%
	US	June average workweek	-	34.3
	US	June unemployment rate	5.6%	5.6%
	US	M2 w/e June 24	-$2.0bn	$7.3bn
	UK	May housing starts	-	54,000
	Italy	1st qtr gross domestic product**	0.2%	-1.0%
	Italy	1st qtr gross domestic product**	1.2%	2.4%
	Italy	June consumer price indx*	0.1%	0.4%
	Italy	June consumer price indx**	3.9%	4.3%
	Spain	June forex reserves	-	$3.1bn
	N'lands	June consumer price indx*	-0.2%	-0.2%
	Canada	June employment†*	0.2%	-0.1%
	Canada	June unemployment rate	9.4%	9.4%
During the week...				
	Germany	May indust prod'tion, pan-Germany*	0.5%	1.4%
	Germany	May manuf'g output, pan-Germany*	0.3%	-0.1%
	Germany	May industrial production, West*	-	0.2%
	Germany	May manuf'g orders,pan-Germany*	0.2%	2.2%
	N'lands	1st qtr gross domestic product fnl**	1.8%	1.8%

*month on month, **year on year, ***qtr on qtr, †seas/adj. Statistics, courtesy *MMS International.*

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.	Provisional Price for Trading on 30.06.96	Final Prices for Trading on 02.06.96	
1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.90	8.92	8.92
0100	8.89	8.89	8.89
0130	8.86	8.89	8.89
0200	8.86	8.90	8.90
0230	8.86	8.90	8.90
0300	8.86	8.89	8.89
0330	8.86	8.89	8.89
0400	8.86	8.89	8.89
0430	8.86	8.89	8.89
0500	8.86	8.87	8.87
0530	7.00	8.91	8.91
0600	7.00	8.89	8.89
0630	7.00	8.89	8.89
0700	8.86	8.83	8.89
0730	8.88	8.89	8.89
0800	8.90	8.86	8.89
0830	8.30	8.60	12.13
0900	8.94	15.75	19.39
0930	17.56	16.14	19.77
1000	17.56	16.14	19.77
1030	17.56	16.14	19.77
1100	19.86	24.91	29.66
1130	25.71	26.33	29.96
1200	25.71	31.12	34.75
1230	29.21	31.12	34.75
1300	29.21	31.12	34.75
1330	25.71	31.12	34.75
1400	17.56	24.91	28.55
1430	17.56	9.96	8.96
1500	16.93	8.95	8.95
1530	17.11	8.94	8.94
1600	12.68	8.92	8.92
1630	8.98	8.91	8.91
1700	12.68	8.92	8.92
1730	17.11	8.92	8.92
1800	17.11	8.92	8.92
1830	17.11	8.94	8.94
1900	17.11	8.94	8.94
1930	17.11	8.95	8.95
2000	18.52	8.94	8.94
2030	18.52	8.92	8.92
2100	18.52	8.96	8.96
2130	22.09	17.45	21.08
2200	29.98	24.91	28.55
2230	30.00	41.85	45.48
2300	30.00	41.85	45.48
2330	30.00	17.45	21.08
2400	12.47	16.75	19.38

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 0799 between 8.30am and 5.15pm Monday to Friday.
©Energy Settlements and Information Services Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.	Provisional Price for Trading on 01.07.96	Final Prices for Trading on 03.06.96	
1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.90	8.50	10.27
0100	8.89	8.50	10.27
0130	8.89	8.50	10.27
0200	8.89	8.50	10.27
0230	8.89	8.50	10.27
0300	8.83	8.50	10.27
0330	8.89	8.50	10.27
0400	8.89	8.50	10.27
0430	8.89	8.50	10.27
0500	8.89	8.50	10.27
0530	8.88	8.89	8.89
0600	8.88	8.89	8.89
0630	8.90	8.95	8.95
0700	12.25	16.17	17.94
0730	17.09	18.21	20.00
0800	17.18	19.88	[illegible]
0830	19.34	19.50	[illegible]
0900	19.84	24.02	27.32
0930	21.52	40.87	45.02
1000	22.72	46.86	51.87
1030	23.20	46.77	53.97
1100	24.11	52.08	58.66
1130	29.72	58.35	65.74
1200	35.23	70.66	78.94
1230	35.41	70.55	78.80
1300	33.89	64.63	71.46
1330	23.94	54.88	60.24
1400	22.63	46.04	50.52
1430	22.15	44.47	48.57
1500	22.01	43.81	47.74
1530	22.12	44.14	48.28
1600	22.71	46.72	51.47
1630	23.54	56.28	61.42
1700	23.98	67.90	74.59
1730	23.32	65.19	71.49
1800	22.13	57.86	62.60
1830	21.11	29.44	32.18
1900	18.25	19.58	21.57
1930	17.46	18.35	20.20
2000	17.45	18.01	19.79
2030	17.09	16.78	18.55
2100	17.09	16.79	18.58
2130	17.09	18.25	20.02
2200	20.04	27.97	29.78
2230	21.04	27.97	29.74
2300	21.04	27.95	29.17
2330	17.09	16.58	18.34
2400	17.09	16.17	17.94

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 0799 between 8.30am and 5.15pm Monday to Friday.
©Energy Settlements and Information Services Limited

JOTTER PAD

MONDAY PRIZE CROSSWORD

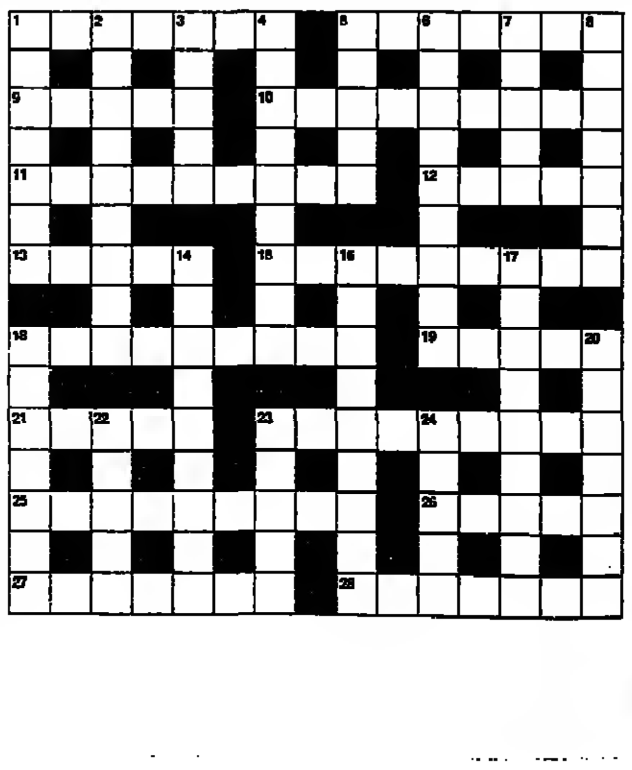
No.9,108 Set by GRIFFIN

ACROSS

1 Throw a cape on for modesty (7)
5 Moving quickly back to crowd round Crosby (7)
9 Leave standing during match (5)
10 Subordinate sick in any car when travelling (8)
11 Passed up and grasped (9)
12 The same old copper wants it to (5)
13 Woman in posh car used to trap motorists (5)
15 Uncle rose, replacing something in envelope (9)
18 Man before last is mad with monarchists (9)
19 I nipped back with a bone (5)
21 Meant to be sung in unusually rich circles (5)
23 Hates trip arranged by hospital worker (9)
25 Top communists needed it to rub back during game (9)
26 Claw left hole in brown container (5)
27 They buy things in the Algarve (7)
28 Ceded on broadcasting in Morse? (7)

DOWN

1 Christ t appreciate being around (7)
2 When you once changed rest day? (9)
3 Insist upon cut-back, and about time! (5)
4 Electrician left ruler amongst some fireworks (9)
5 Boycott firm introducing breakfast food? (5)
6 Clumsy mother and son upset trio (9)
7 Tina's bothered about parking being awkward (5)
8 Fellow bellringer helps secure tent (7)
14 Regiment traced and moved elsewhere (9)
15 Patient holds second part of dish (9)
17 Admitting free bundle could be excessive (9)
18 Man leaving here and failing to slip back (7)
20 Harmonised as a topless student danced (7)
22 Memento of quarrel I cried over (5)
23 If short of time believes supporter (5)
24 One races back into Bill's room (5)



A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday July 11, marked Monday Crossword 9,108 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday July 15. Please allow 28 days for delivery of prizes.

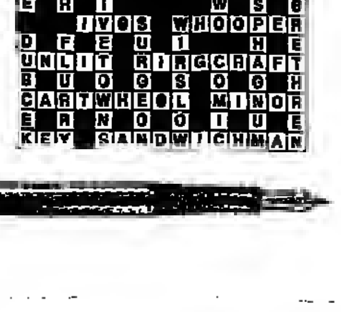
Name..

Address..

Winners 9,096

Mrs. M. Torrance, New Romney, Kent
John Tostevin, High Wycombe, Bucks.
Vivianne Smith, Reading, Berks.
Mrs. Iris Hawker, Northborough
Allen Petersen, Illinois
Simon Dunning, Blanefield

Solution 9,096



هكذا من الأصل